

Recommendations for Economic Development in Guadalupe, CA

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by
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Abstract

Recommendations for Economic Development in Guadalupe, CA

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It is recommended that the City of Guadalupe prepare and implement a small-scale business expansion and retention program using existing service providers in the area. This type of program model seems to hold the most potential for Guadalupe. A mixed-methods approach including in-depth cases studies of existing economic development programs and an analysis of opportunities and constraints in Guadalupe informs a set recommendations for future economic development in the City. Data was collected in three phases: short interviews with a variety of economic development program staff, short interviews with Guadalupe business owners and City officials and in-depth interviews with staff from five selected case-study programs.

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EXECUTIVE SUMMARY

In the City of Guadalupe, several obstacles to economic development commonly associated with rural contexts are present. Guadalupe is located on the Pacific Coast Highway in northwestern Santa Barbara County and is a hub for vegetable packaging and cooling operations in the Santa Maria Valley agricultural region. One quarter of Guadalupe residents are employed in the agricultural sector, not including agricultural support services. Economic trends indicate however, that the importance of agricultural employment in Guadalupe is declining, mirroring a trend occurring in rural economies across the country. The proportion of total jobs attributed to agriculture shrank by 30% between 1990 and 2009 among Guadalupe residents. As the importance of agricultural employment is declining, City leaders are looking to improve the economic vitality of Guadalupe in the future in order to provide more employment opportunities for residents and to provide secure revenue streams for future public services. This project provides a set of recommendations for future economic development strategies to be implemented by the City in cooperation with local economic development agencies. The recommendations are designed to be community focused, building on existing strengths. They are based on case-study research on rural economic development techniques currently being implemented in other rural areas of California.

It was desirable to find strategies that would build on existing community strengths and foster new skills among residents and business leaders. Initial research indicated that strategies focused on retention and expansion of existing businesses and encouragement of local entrepreneurship (referred to in this project as enterprise development) held the most promise for a community-centered approach. Research indicated that recruitment strategy, meaning recruitment of outside firms to the area, produced poor results and sometimes caused negative community impacts such as reduced funds

for public services. For these reasons, research was narrowed to strategies focused on retention and expansion of existing business and enterprise development.

To determine economic development strategies with most applicability in Guadalupe, a mix of research methods were used. This included a review of literature on rural economic development, interviews with key informants and analysis of available demographic data. Interviews were conducted in three phases:

- The first phase of interviews were conducted with program coordinators from nine different economic development agencies serving rural areas in California. This provided background information on economic development program implementation, supplementing available literature on the topic.
- The second phase of interviews included eight interviews with Guadalupe business leaders and three informal interviews with City officials. These interviews supplemented demographic and economic statistics compiled about Guadalupe and helped to identify opportunities and constraints for economic development.
- The third phase of interviews included in-depth interviews with staff from three economic development agencies, representing five implementation programs. Information from one of the agencies was supplemented with short program participant interviews.

Findings from the Guadalupe interviews and supplemental demographic and economic data gathered about the City indicated that there were limited resources for economic development program implementation and that the City is somewhat isolated from economic development resources, such as existing enterprise development programs. Also residents have lower levels of education and lower incomes when compared to Santa Barbara County. Some opportunities identified by Guadalupe business owners and City officials were the development of tourism, especially related to the historic

buildings in downtown and promoting to nearby beach, and the existence of many devoted long-time business owners.

Agencies selected for in-depth case study were Fresno Economic Development Corporation (EDC), Central Valley Business Incubator and El Pajaro Community Development Corporation. In total, five implementation programs were studied due to the fact that two of the agencies were implementing multiple programs. Two different models of business retention and expansion were studied. These were the BEAR Action Network and the Regional Jobs Initiative Industry (RJI) Cluster Program (both under the Fresno EDC). Both of these programs are designed to identify opportunities and constraints for local businesses and to resolve them. The BEAR Action Network achieves this by visiting local businesses and referring them to various support services based on their needs. The RJI Cluster program attempts to identify opportunities and constraints faced by several related businesses in the area by organizing business leaders from related industries into groups, which meet regularly to set industry goals and work toward achieving them. They receive support from local agencies such as governments, economic development agencies and others. Enterprise development implementation programs studied included the Water Energy and Technology (WET) Business Incubator, a Small Business Development Center (both under the CVBI), and El Pajaro's combined business assistance and incubator program. The WET business incubator provides physical space and technical and business assistance for firms working to develop new water and energy technologies. The Small Business Development Center (SBDC) provides business assistance services to entrepreneurs by providing free training and access to a variety of business consultants. El Pajaro provides business assistance services, similar to the SBDC in addition to renting small retail spaces to start-up businesses.

Major findings related on the case-study programs are summarized as follows:

- The BEAR Action network not only created jobs but was also able to provide a broad range of services by providing referrals to other agencies rather than attempting to provide services ‘in house.’
- The RJI Cluster program provided opportunities for business leaders to work together to meet industry needs and to be heard by local officials in a structured, action oriented, setting.
- The WET Incubator did not seem to provide much promise for Guadalupe due to the dependence on a university and a research group, neither of which is currently available.
- The Small Business Development Center was able to demonstrate job creation and provided a good model for a small business assistance program. They had a fairly wide range of services available due to the fact that they had 18 consultants, providing a variety of different services.
- The El Pajaro retail incubator and business assistance program provided opportunities for job creation as well as additional benefits such as creating activity in Downtown Watsonville and creating skills among disadvantaged populations who encountered obstacles related to language, education and culture.

Based on the above findings the following economic development strategies are recommended for the City of Guadalupe :

1. Business expansion and retention program: The City should prepare and implement a small-scale business expansion and retention program using existing service providers in the area.

This type of program model seems to hold the most potential for Guadalupe for several reasons. By leveraging services available through partner agencies, Guadalupe would be able to provide a range of services with a limited allocation of funds.
2. Cluster program: Cluster programs are typically regional initiatives taken on by regional economic development agencies. Industry groups include both business leaders and leaders of local governments. No cluster program is currently available in Santa Barbara County. Should a

cluster program be formed locally, participate in the formation of regional industry clusters and provide guidance on what will be most beneficial to Guadalupe businesses in such a program

3. Business Assistance Programs: Reach out to existing small business assistance programs. Many Guadalupe business owners seemed only to be aware of citywide business assistance programs. Find out what kind of services are available to Guadalupe businesses and promote these services locally through the business retention and expansion program mentioned in recommendation one, or informally, as issues are identified by City staff. Make local social service providers aware of any business assistance programs that are available to prospective entrepreneurs they might encounter.
4. Business Incubator Program: As a long-term goal, develop a retail incubator program that provides physical retail space to new entrepreneurs in the Guadalupe Downtown. As was shown with the El Pajaro case study, this provides added activity to the downtown area while providing employment opportunities. Implementing a business incubator program would be a long-term goal. Not only does it require more investment of staff time and financial resources to set up, several things would need to occur for it to be successful. First the City would need to develop a strong partnership with a local business assistance program and they would either need to open an office in the City or be willing to have staff travel there regularly. Second, as mentioned in the setting chapter Guadalupe is currently beginning implementation of several projects to encourage tourist activity to the area. An Incubator project with retail businesses would require a good customer base; it is advisable to wait until current projects have produced an increase in tourist traffic before implementing this recommendation.

Some challenges to implementation of these recommendations are as follows. First, there is limited access to business assistance programs; many economic development programs have their main offices in Santa Barbara and do not provide services to the North County. Second, there are language and

educational barriers faced by prospective entrepreneurs and existing business owners in Guadalupe.

Third, there are administrative obstacles such as limited staff and funding.

Possible solutions include building strong relations with existing business assistance programs by getting more involved on economic development action committees that exist locally and by visiting programs to interview program coordinators about their services. If it seems that local program as ill prepared to meet the needs of Guadalupe business owners and entrepreneurs, the City should, as part of a business retention and expansion program, recruit volunteers to assist with translation and mentorship activities. In order to facilitate the implementation of the long-term goal of creating a retail incubator in the Downtown area, the City should begin researching grant opportunities to assist with the purchase of real estate, office equipment and supplies.

INTRODUCTION

In the City of Guadalupe, several obstacles to economic development commonly associated with rural contexts are present. First, Guadalupe is located in northwestern most part of Santa Barbara County; the nearest offices for most regional economic development programs are in the City of Santa Barbara, 83 miles away. This presents a significant obstacle to economic development activities in the City because business assistance services and access to financial capital are severely limited. Second, Guadalupe has a median income much lower than the State of California. According to 2009 American Community Survey estimates, the median income for California was \$60,392. The median for Guadalupe was estimated at \$41,126. Much of the work in the area is in the agricultural fields; this type of work is typified by low wages. The 2002 Economic Census found that about 60% of jobs in Guadalupe fall in the low wage category and 35% in the mid wage category, leaving only 5% of jobs in the high wage range. Third, the local workforce has relatively low educational attainment. While only 10% of Californians, aged 25 or older had less than a ninth grade education as of 2000, 41.5% of Guadalupe adults had that level of education. All of these factors act as obstacles to economic development in the area.

In addition to economic development obstacles, it seems that Guadalupe may be experiencing a shift in their economy. Guadalupe is currently a hub for vegetable packaging and cooling operations in the Santa Maria Valley agricultural region and one quarter of Guadalupe residents are employed in the agricultural sector, not including supporting industries. **Economic trends indicate however, that the importance of agricultural employment in Guadalupe is declining, mirroring a trend occurring in rural economies across the country.** The proportion of total jobs attributed to agriculture shrank by 30% between 1990 and 2009 among Guadalupe residents. As the importance of agricultural employment is declining, City leaders are looking to improve the economic vitality of Guadalupe in the future in order to provide a smooth economic transition into a service based economy.

This project provides a set of recommendations for future economic development strategies to be implemented by the City in cooperation with local economic development agencies. The recommendations are designed to be community focused, building on existing strengths. It is hoped that recommended economic development activities will go beyond job creation to foster long-term economic stability by retaining wealth in the Guadalupe economy.

The research design of this project involves three stages. First the characteristics of rural economic development are established and obstacles to rural development are explored. Next a variety of data were collected about the particular constraints to economic development encountered in Guadalupe as well as possible opportunities. Last, economic development programs, functioning in settings similar to Guadalupe, were selected for in-depth analysis. Programs were assessed for their utility in Guadalupe based on how successful they were at job creation, whether they seemed well equipped to confront rural economic development obstacles and consideration for constraints found in Guadalupe.

This manuscript is organized into six chapters: Introduction (current chapter), Background Research, Setting, Methods, Findings and Recommendations. At the end of each chapter a summary of key points can be found. A brief summary of each chapter is provided below. It should be noted that, due the iterative nature of the research and the limited availability of secondary data, findings from some of the data collection have been included in the Background Research and Setting chapters. This is partly because findings from initial data collection were used to create criteria for later phases of data collection and partly due to the fact that limited literature and secondary source data called for supplemental explanatory information.

Background Research

This chapter provides necessary background information for further investigation of rural economic development implementation programs and the formulation of economic development strategies for the City of Guadalupe. It contains a summary of relevant literature in the area of rural economic

development theory and practice. It includes definitions of key terms and specific economic development strategies including recruitment, retention and expansion of existing business and enterprise development, a discussion of strategy efficacy and questions for further research. Preliminary data collected as part of this project is included to fill in gaps in literature on strategy implementation and provide examples of existing economic development programs

Project Setting: Guadalupe, California

The setting chapter is intended to provide information about the project site: Guadalupe, CA.

Demographic and economic data are presented and analyzed in order to draw comparisons to the literature regarding rural characteristics and the challenges they pose to economic development. In order to supplement available quantitative data, information collected in phase two-interviews with Guadalupe business owners and city officials has been included in the two final sections of the setting chapter. The chapter is divided into demographics, economics, profile of Guadalupe businesses and conclusions.

Methods

This chapter presents the methodological approach taken in this project. A summary and explanation of the overall approach is followed by a detailed explanation of three phases of data collection. This data collection informs the development of a set of economic development recommendations for the City of Guadalupe. At the end of the chapter, the limitations of methods used for the project and obstacles related to data collection are discussed.

Findings

This chapter presents findings from in-depth case study research conducted in phase three of data collection for this project. Findings from phase one are integrated into the background research and findings from phase two are integrated with the setting chapter. **Selected case study programs are**

assessed in terms success at achieving economic development as defined in this project i.e. job creation and to what degree they were able to overcome obstacles to rural development. The chapter concludes with a summary of major findings and suggestions for further research.

Recommendations

This chapter presents recommendations for future economic development in the City of Guadalupe based on background research that focused on rural economic development strategies and three in-depth economic development program case studies. The appropriateness of various program types were evaluated based on the analysis of the Guadalupe setting presented in chapter three of this document. Suggestions for implementation are incorporated within the economic development recommendations. The chapter also suggests areas for further study.

Recommendations presented in the final chapter are informed by all phases of data collection and secondary source information in order to create recommendations that would provide the most economic development results for the least cost while building on available resources.

BACKGROUND RESEARCH

This chapter summarizes literature in the area of rural economic development theory and practice. It includes definitions of key terms and specific economic development strategies including recruitment, retention and expansion of existing business and enterprise development, a discussion of strategy efficacy and questions for further research. Preliminary data collected as part of this project is included to fill in gaps in literature on strategy implementation and provide examples of existing economic development programs. **This review of literature provides necessary background information for further investigation of rural economic development implementation programs and the formulation of economic development strategies for the City of Guadalupe.**

Definitions

Before exploring the specific strategies used for achieving economic development, it is critical to establish a clear understanding of the basic goal of such activities. In this section economic development will be defined. Because this project is focused on economic development that occurs in rural environments, it is important to establish what is meant by ‘rural’ and why rural economic development should be distinguished from other types of economic development.

Economic Development

Generally, economic development refers to actions that are intended to spark a particular economy for the purpose of creating jobs and wealth. A definition of local economic development provided by Blakely and Bradshaw (2002) is as follows:

...the process in which local governments or community-based (neighborhood) organizations engage to stimulate or maintain business activity and/or employment. The principal goal of local economic development is to stimulate local employment opportunities in sectors that improve the community using existing human, natural, and institutional resources (p. XVI)

This definition identifies local governments and community-based organizations as the primary actors in economic development activities. The main goal, according to this definition is to create or maintain employment opportunities. Importantly, this is achieved by using existing community resources rather than outside assistance. This is echoed in the following definition.

Lyons and Hamlin (2001) present a variety of economic development objectives including job-creation, job retention, tax-base creation, increase in property values, retention of wealth, reduction of poverty, economic stability and economic self-sufficiency. They recommend that communities pursue a variety of these objectives but say, “Retaining wealth in the local community may be the bottom line for economic development planning” (p.4). This is because other objectives, such as job creation, can be achieved without creating much wealth if income earned is not spent in the community. Retention of wealth focuses “more on promoting local savings, investment and entrepreneurship than promoting growth from the outside” (p.4). The wealth creation is growth from the ‘inside’ of the community.

Mathur (1999) defines economic development as “a change in employment and/or per capita income that is self-sustained” (p. 204). This definition differs from the other two in that it focuses on the desired end result of economic development activities rather than the goals or the activities themselves. Mathur mentions longevity of economic change in this definition implying that economic development has really only occurred when results are self-perpetuated.

In all three definitions presented above, the common thread is the creation or retention of employment opportunities and wealth. This forms the basis of the definition of economic development in this project: **Economic development includes actions taken by local government or non-governmental agencies to create employment opportunities using techniques designed to retain wealth locally.** Economic development strategies that are community focused, meaning that they draw on local skills and resources, will be analyzed for their level of success at creating employment opportunities and generating local investment. The degree to which programs leverage existing skills or

create new skills among program participants will be considered a factor contributing to the overall program efficacy.

Rural Setting

There are several characteristics that distinguish rural environments from urban ones. These characteristics have a significant effect on the functioning of rural economies requiring that they be taken into account when developing an economic development strategy that will be appropriate for a rural setting. This section provides a discussion of the characteristics and definitions of the term rural.

There are many definitions of rural, based on population statistics, which are used for quantitative data analysis and comparison. The Census Bureau defines an urbanized area as any area that has a population of 50,000 or more, and an urban cluster as any area that has a population between 2,500 and 50,000. By this definition, only settlements with less than 2,500 residents are considered rural (US Census Bureau, 2010). The Federal Office of Management and Budget distinguishes between metropolitan and non-metropolitan counties. A metropolitan county is a county with one or more urbanized areas. Nonmetropolitan counties are further broken down into micropolitan counties, those with an urban cluster of between 10,000 and 49,999 people, and noncore counties, those with no urban cluster of at least 10,000 people (Beaulieu and Israel, 2011). A third definition, developed by the Economic Research Service of the USDA, is based on a rural-urban continuum. This includes “a nine-item coding system that subdivides metropolitan counties into three levels based on the size of their population, and six levels that differentiate nonmetropolitan areas by their degree of urbanization and adjacency to a metropolitan area(s)” (Beaulieu and Israel, 2011, p. 175). For example, a number three on the scale (one being most urban) represents a metropolitan county with less than 250,000 people. A number nine on the scale represents a nonmetropolitan county with a population of fewer than 2,500 people and not bordering a metropolitan county. These definitions make it possible for statistical comparisons of demographic and other trends to be drawn between urban and rural areas. They also

serve as a basis for determining eligibility for a number of state or Federal grant programs that are specifically designed to assist urban or rural municipalities.

While these definitions are important to quantitative analyses and efficient grant program administration, **a definition of rural based solely on population does not serve well in a discussion of economic development.** These models fail to identify the unique characteristics of rural communities that can make economic development more difficult in these areas. For that, one must turn to more qualitative descriptions.

Flora, et al. (2003) discuss descriptions of the rural setting and characteristics of rural communities that have changed due to globalization and increased telecommunications access. Common characteristics associated with 'rural' areas are small populations, isolation from services and amenities and economies based on natural resources. According to Flora, et al. (2003), in the past "small size and isolation combined to produce relatively homogeneous rural cultures, economies based on natural resources, and a strong sense of local identity" (p.4). Increased connectivity to a global community, **life-style changes and shifts in income distribution are causing rural communities to be less isolated and more heterogeneous.**

Beaulieu and Israel (2011) maintain that rural economies are shifting due to globalization and advances in agricultural technology. **As U.S. agricultural production becomes more efficient due to the use of labor-saving technologies, fewer low-skills jobs are available. Additionally, low-skill manufacturing jobs are being exported to less-developed countries.** "Rural America's competitive advantage—lower cost labor and an abundance of natural resources—is less of an asset in today's global marketplace" (Beaulieu, L.J. and Israel, G. D., 2011, p.169). **The declining role of agriculture and manufacturing in nonmetropolitan economies has been accompanied by an increase in service-producing sector jobs such as wholesale/retail trade, transportation, finance/insurance/real estate and government enterprises.**

However, Flora, et al. (2003) suggest that this shift has not occurred in all rural communities. They claim that geographic isolation has not been completely overcome by some rural areas. Communities that are very remote or are persistently poor continue to suffer from lack of access to amenities and services. This lack of access combined with low population density causes more traditional economic and social patterns to persist.

Flora and Flora (1993) discuss **cultural obstacles** encountered in rural areas such as **‘independently minded’** attitudes or the **feeling that everyone knows everyone**. These characteristics **can discourage investment in the local community and reduce cooperation between business owners**. It can also lead to the **suppression of community controversies**. Flora and Flora (1993) suggest that the presence of **depersonalized public decision-making processes can help overcome such cultural obstacles** and create more creative, inclusive economic development strategies.

Lyons (2000) states that rural poverty has “stubbornly resisted a variety of attempts at mitigation through economic development policies” (p.1). He states that **there are significant obstacles to rural development and that much more than any one individual economic development program is necessary to overcome these obstacles**. Challenges include “the fact that economies of scale, or critical mass [a minimum amount of people required to start or maintain a venture], may be harder to achieve; business services and other resources may be in short supply; capital for entrepreneurial endeavors may be lacking; agriculture, or another single industry, may dominate the economy, stifling innovation; and immediate sources of information and ideas may be limited” (p.1).

Both Flora, et al. (2003) and Lyons (2000) imply that there are several characteristics of the rural setting that are interdependent and pose unique obstacles for economic development. These authors agree that **small populations, isolation and economies based on natural resources are considered characteristics of rural communities that can pose difficulties to economic development**. These assessments suggest some obstacles that must be overcome for rural development efforts to be

effective. **Characteristics of an effective program might include things like the structured, public decision making processes, deliberate creation of personal connections and increased access to financing. Exposure to new ideas and technologies and/or assistance with product development might also be important to effective rural development.** These factors will be investigated further as part of the current research utilizing in-depth case studies.

Economic Development Strategies and Implementation

Economic development strategies usually consist of recruitment of outside firms, retention of existing businesses or enterprise development. Economic development programs may implement all three of these strategies together or focus on only one and coordinate with other programs in the area to implement the other strategies. While each strategy is described as distinct, there are areas where the strategies overlap or where secondary effects of one strategy may contribute to the efficacy of the others. This section reviews economic development strategies and gives examples of implementation programs operating in rural contexts.

Since the literature on rural economic development did not include much description of specific strategy implementation, a preliminary objective of this project was to provide an exploratory understanding of the rural economic development field in California. **Findings from phase one of data collection, which included short interviews with nine economic development program coordinators, are presented in this section in order to provide examples of strategy implementation in rural California.**

Agency Structure

As mentioned earlier in this chapter, economic development activities can be carried out by local governments or community-based (meaning neighborhood) organizations (Blakely and Bradshaw, 2002). **Agencies interviewed as part of phase one data collection were either a department of a local government, usually a County Government, or were set up as a non-profit organization.** None of the

economic development agencies encountered were 'neighborhood-based' in the sense that they were staffed by volunteers or were pursuing a neighborhood specific goal. These groups were most likely not encountered because neighborhood groups may be involved in more short-term economic development activities such as organizing a specific event to encourage tourism or other more narrow economic development goals.

While many larger cities have their own economic development department, only one program encountered was run by a city that resembled Guadalupe at all in size and composition. This was the City of Greenfield and while they are similar to Guadalupe in being somewhat isolated from major markets and dependent on agriculture, the population is larger. One of the programs run by a county government stated that they are only responsible for unincorporated areas; the other county departments contacted stated that they were responsible for economic development activities for the whole county, including incorporated cities. Through a referral given by one program coordinator, a representative from a Workforce Investment Board was contacted. These organizations are funded through the Federal Workforce Investment Act of 2000 and are responsible for jobs training programs ("About the Solano WIB," 2008). Some of them also run business retention programs. The Workforce Investment Board informant explained that most areas have some sort of similar agency (Business Resource Specialist: Tulare WIB, personal communication, February 17, 2011.)

This has been a summary of the types of agencies encountered during initial data collection for this project. Next strategy implementation will be described using available literature and supplemental information from initial data collection.

Recruitment Strategies

Recruitment strategies are aimed at attracting firms or industries to an area. Techniques include providing detailed information and technical assistance related to relocation and providing various incentives in order to encourage/facilitate needed or desirable industries moving to the area.

Incentives might include providing tax abatements, access to inexpensive land or infrastructure or other subsidies. (Crowe, 2006). As with all economic development the overarching goal is to create jobs and/or wealth.

For example, the Tulare County Economic Development Corporation implements a recruitment program that provides information on real estate, quality of life, infrastructure, incentives, business support programs and financing (“Location Assistance,” 2011). These materials are designed to help companies make an informed decision about moving to Tulare County. Tulare County is located in the Central Valley of California has a population of 442,179 (US Census, 2010).

An example of an incentive-based program is the City of Greenfield’s Downtown Streetscape Plan. The City of Greenfield is located in Monterey County and has a population of 16,330 (US Census, 2010). The City has struggled with poverty and crime. The Greenfield Redevelopment Agency is in the process of planning a \$1.1 million streetscape improvement project that is designed to attract outside investment in the downtown area. It is hoped that spurring economic activity in the downtown area will improve local incomes and foster a safer environment (Director of Redevelopment and Housing: City of Greenfield, personal communication, February 17, 2011.)

Strategy efficacy. Recruitment strategy has been a mainstay of rural economic development strategies. **The attractiveness of this strategy is the ability to provide a large number of jobs in a short amount of time.** Criticisms of this strategy are many. Criticisms found in academic literature include costs to the community and the surrounding environment. For example, industries may degrade the local environment and over-exploit natural resources. Also, **subsidies given to industry may take money away from public services in the area** (Crowe, 2006). This is a significant issue because these practices may, in fact, negatively affect the area’s future prospects for development and degrade quality of life. It is also important because the provision of public services is already comparatively more expensive in rural areas due to low population densities (Flora and Flora, 1993). **In exchange for these increased**

community costs, jobs provided by large outside firms tend to be low-paying (Crowe, 2006) and there is no guarantee that firms will remain in the area long enough to recuperate the costs of the recruitment strategy (LeRoy, 2005).

Economic development practitioners have found that in addition to a poor cost-benefit ratio, recruitment strategies aimed at industries typically located in rural areas don't seem to be achieving economic development goals at all. Due to globalization and consolidation and mechanization of agriculture, practitioners are looking for new strategies (Drabenstott, 2004).

Retention and Expansion Strategies

According to Loveridge and Smith (1992), business retention and expansion programs “are designed to resolve barriers to business growth and stability in the community” (p. 67). This is achieved by first selecting a program coordinator and creating a taskforce, which usually includes “representatives from utilities, business, education and local government” (p. 67). This initial taskforce may then recruit additional volunteers or visit local businesses themselves to do a needs assessment. The task force reviews the surveys and assigns one of the members or the program coordinator to **follow up with problems or issues encountered**. In some cases this survey data were also reported on and used as part of a strategic planning process (Loveridge and Smith, 1992).

This is fairly consistent with the findings from phase one of data collection though paid staff conducted business visitations and initial review of survey results was conducted by program coordinators alone. The coordinator would then send a referral to a 'service provider' based on the type of assistance the business needed (Director of Business and Community Development: Fresno EDC, personal communication, April 28, 2011.) The service providers were akin to the taskforce members described by Loveridge, S. and Smith, T.R. (1992).

One program encountered in phase one data collection focused just on layoff aversion (WIB and Headwaters Secretary: Humboldt County, personal communication, February 10, 2011) but others were

more broadly aimed at removing obstacles to local businesses. Respondents described a referral network where businesses may be referred to appropriate support agencies such as small business development centers, loan programs or chambers of commerce. Examples of support included training on how to take advantage of tax credits that are available to small businesses or assistance with loan packaging (Director of Business and Community Development: Fresno EDC, personal communication, April 28, 2011.) When program coordinators identify concerns that are shared by several businesses, they may advocate for more reasonable regulations or fees in order to create a more business friendly environment in the jurisdiction (Business Resource Specialist: Tulare WIB, personal communication, February 17, 2011.) **The main focus of business retention and expansion programs encountered was on prevention of job loss** (Business Resource Specialist: Tulare WIB, personal communication, February 17, 2011; Director of Business and Community Development: Fresno EDC, personal communication, April 28, 2011 and Director of Economic Development: Tuolumne County, personal communication, February 10, 2011).

The Tulare County Workforce Investment Board runs a business retention program. Staff are assigned to specific industries. They are responsible for surveying businesses in their industry to identify businesses at risk of downsizing, closing or moving. When they identify an at-risk business, they attempt to meet with the business leader or leaders and provide assistance. Examples of assistance they offer are training on how to receive tax credits available to small businesses and assistance with employee recruitment and training. For business needs that they cannot address, they provide referrals to other agencies such as the chamber of commerce or the Tulare County Economic Development Corporation. Because there are several different organizations that take referrals and provide support services, the Workforce Investment Board for Tulare County uses a customer management software program to track referrals. One respondent indicated that use of this type of software program was common among

retention programs but not actually necessary; a simple database created in Excel can suffice (Director of Economic Development: Tuolumne County, personal communication, February 10, 2011.)

Because prevention of job loss is not always possible, some retention programs also provide information and resources to employees being laid off. The Tulare Workforces Investment Board also runs what they call a 'Rapid Response' program. Staff from the Workforce Investment Board, upon receiving word of an impending layoff, will attempt to visit the affected company to speak with employees. They let them know how to begin collecting unemployment and what job training opportunities are available to them through the Workforce Investment Board and partner agencies (Business Development Director: Tulare EDC, personal communication, February 10, 2011.)

More recent thought on expansion strategy has focused on encouraging and supporting a cluster of related industries and fostering innovation and competition in order to increase total productivity (Porter, 2000). **"Broadly defined, an industry cluster is a loose, geographically bounded collection of similar and/or related firms that together create competitive advantages for member firms and the host economy"** (Rosenfeld 1995 in Barkley, D.L. and Henry, M. S., 1997, p. 308). **These clusters are thought to provide important benefits to the local economy in terms of jobs, income, and export growth** (Waits, 2000).

Programs designed to foster industry clusters, hereafter referred to as industry cluster programs, may have goals such as "understand the economy and define the economic development customer... engage industry leaders in a regional strategy and to foster communication, networking, and improvement among the companies within and across clusters... [and] provide high-value specialized services to key industries" (Waits, 2000, p. 39). **According to the Monterey County Competitive Cluster website, their cluster program is intended to identify economic challenges in the area, "address long-standing problems ... with concrete solutions" and "identify opportunities in the County's key clusters"** (<http://c2.mcbusiness.org/>).

To give an example of how a cluster program can be structured, the following information is provided on the Regional Jobs Initiative Cluster Program in Fresno County. This program, established in 2005, was intended to create jobs in Fresno County. Clusters exist for key industries in the local economy. **Each cluster has a chair, who is a representative of the industry, and a manager, who is staff at a local economic development agency.** Cluster membership includes people from both the public and private sector. For example, in the clean energy cluster there are representatives from solar energy companies as well as from the local Workforce Investment Board and local high schools that have energy related job-training programs. **Clusters meet quarterly to discuss their mission and goals and re-adjust these things as needed. They also hold networking events and host speakers,** who present on industry related topics, such as new legislation related to renewable energy. In addition to quarterly meetings there are monthly workgroup meetings for action items. **All cluster managers report to the resource team at regularly scheduled meetings.** The resource team is composed of city managers, Workforce Investment Board and other partner organizations. As a group they set additional goals, which are then integrated, into the individual cluster goals. Most recently they set a goal to encourage more participation from rural businesses in the cluster program (Investor Relations Manager: Fresno EDC, personal communication, May 2, 2011).

Strategy efficacy. Loveridge and Smith, 1992 surveyed program coordinators of business retention and expansion programs in order to determine factors related to program success. Based on survey responses, they created an index of overall program success based on factors such as overall worthwhileness, demonstrated pro-business attitude, provided data for economic development, assisted solving local firms' problems and gave early warning for plant closures. Loveridge and Smith also asked coordinators for their impressions of job creation and retention achieved by retention and expansion programs. When comparing the success index to job creation, as reported by coordinators,

there was a high positive correlation. Also positively correlated to success was the amount of time the coordinator invested in the program.

Coordinators with the most successful programs tended to devote the largest proportion of their extra hours to immediate follow on survey results, but were more likely to rely on others for follow-up of firms' requests for information on state and federal programs...[These program coordinators were] less likely to rely on the task force to set overall policy or to provide follow-up assistance, but more likely to ask the task force to visit firms and be active in development of recommendation and the final report (p. 75).

All of the programs falling into 'most successful' category wrote recommendations for improvement

of the local business climate. Benefits associated with writing these recommendations included the creation of a tangible product; provision of an action agenda for improvement of the business climate and it involves task force leaders in a team build exercise focused on addressing community issues which can lead to a long lasting coalition.

Kettles (2004) states that there is a growing understanding of the importance of competitiveness for rural economic development. He also says that there is agreement about the value of industry clusters but acknowledges that very little is known about "the composition and evolution of rural economies at the industry cluster level" (p.8). Indeed cluster programs are relatively new and little or no research has been done on their effectiveness.

Waits (2000) presents benefits found to be associated with a statewide cluster program developed in Arizona. Through an in-depth case study, Waits found that the industry clusters and not individual companies provided **sources of employment, income and export growth**. She also found that the **efficacy of economic policy was related to the ability of businesses and workers to define their own needs rather than having them defined by public officials**. Additionally, the cluster approach creates high quality development programs and guaranteed program constituencies by allowing more direct participation of industry leaders in program design.

Enterprise Development Strategies

Encouragement of new business is achieved through small business development centers or other business assistance programs. Small businesses are defined as firms that are independently owned and operated and have fewer than 500 employees, though for some sectors the threshold is 100 or fewer (Cytron, 2006). These small business development centers are located all over the country, usually on community college or university campuses. These centers frequently partner with other economic development programs to provide a comprehensive economic development strategy. **Services include “assisting small businesses with financial, marketing, production, organization, engineering and technical problems and feasibility studies”** (“The Facts about SBDCs,” n.d., para. 1). **Services are free and programs are available to any new or existing business owner who cannot afford a private consultant. These programs are intended to promote new enterprise and create jobs.**

Some enterprise development programs have become more specialized, focusing on a particular group of entrepreneurs. For example, **El Pajaro Community Development Corporation is a non-profit organization that is focused on promoting “micro-enterprise and small business development by supporting low-income and minority entrepreneurs in Santa Cruz, San Benito and Monterey Counties”** (“Welcome,” 2008). Their services include “training, lending programs and technical assistance with pre-loan application packaging, loan application preparation, business license application assistance, other business application preparation, marketplace research & analysis, business analysis & performance, financial management and business acquisition analysis” (“Consulting,” 2008).

Another model of enterprise development is the business incubator program. Business incubator programs are a type of small business development program that **integrates traditional elements of small business development programs such as development of a business plan and assistance with lending, with arrangements for no-cost or low-costs office/business space and or equipment** (Cytron, 2006). According to Adbah et al. (2007), the rationale behind business incubator programs is that new

companies often do not have the necessary resources to be successful. Studies have shown that while small enterprises are major sources of new jobs in the U.S. economy, very few ventures survive through their first years.

La Cocina is a business incubator program designed for food entrepreneurs located in San Francisco's Mission district. La Cocina provides technical assistance and kitchen space to 20 low-income entrepreneurs at a time, allowing them to "begin, grow or formalize their business" (La Cocina Brochure, n.d., para. 2). An article in the San Francisco Bay Guardian explained that after a taste test, "participants are counseled on brand development and distribution" (Guardian Staff, para. 8). Business counseling is offered in English and Spanish and the program works with other community groups to identify clients. Graduates sell their food at grocery stores, farmers' markets, out of food trucks and some have opened their own brick and mortar restaurants (Guardian Staff). The Cocina website highlights incubator graduates, providing free advertizing to these new and expanding businesses ("Business Directory", 2011).

Strategy efficacy. Chrisman and McMullen (2004) state that "Over the last 20 years, **a considerable body of research has accumulated in the United States that suggests outsider assistance can have a substantial impact on new venture startup, survival, and performance**" (p. 229) citing work by Chrisman and Katrishen, 1994; Nahavandi and Chesteen, 1988; Pelham, 1985 and Robinson, 1982. The most compelling and relevant studies are presented here in order to demonstrate the relationship between business assistance programs and enterprise development.

Chrisman (1999) found, in a nation-wide study of Small Business Development Center (SBDC) clients that, **outsider assistance had a statistically significant positive effect on the likelihood of starting a business**. Among SBDC clients, 78% had created some distinction between the emerging organization and its environment (i.e. legal form of organization or a formal decision to create a business), 63% had employees and 60% had sales. This is significantly higher than the start-up rate for adults expressing

entrepreneurial interest: 48%. This provides strong evidence in support of small business assistance programs and specifically the Small Business Development Center Model.

Chrisman and McMullen (2004) conducted a longitudinal study comparing entrepreneurs that had received some kind of business assistance with those who had not. They found that **entrepreneurs receiving business assistance early on was related to long-term survival** (meaning four to eight years). They also found that when controlling for variables such as age, education, experience and industry, there was a positive correlation between time spent with councilors and business survival.

These studies provide strong support for the efficacy of business assistance programs by showing that outside assistance has an effect on business performance and not just business creation. No studies were encountered that dealt specifically with the efficacy of business assistance programs in rural settings. Though there are several studies indicating that rural entrepreneurs face additional obstacles (Henderson, 2004; Lyons, 2000; Flora and Flora, 1993), and there are studies indicating that there is an earnings gap between rural and urban entrepreneurs (Beaulieu and Israel, 2011), **there is little research on the efficacy of business assistance programs in rural settings.**

Business incubators are a relatively new economic development technique and the efficacy of these programs is open for debate. “In fact, apart from offering a place to set up shop, the value of [business incubators] has recently been seriously questioned” (Bollintoft and Ulhoi, 2005, p. 272). Part of the reason there is little evidence in favor of these programs is that research in this area tends to be of a descriptive nature and lacking in theoretical foundation (Bollintoft and Ulhoi, 2005).

According to the National Business Incubation Association (2009) the effectiveness of incubator programs is dependent on a solid feasibility study. The study should include an analysis of the market for the proposed project. They also list a set of industry best practices including recommendations for financial sustainability, recruitment for management personnel, how to build a board of directors and maintain focus on client service (“What makes a Business Incubator Successful?, 2009).

Characteristics of Efficacy

While relatively little is known about the efficacy of individual strategy implementation (with the exception of business assistance programs), several researchers have made suggestions about **some obstacles that need to be overcome in order to achieve economic gains for rural areas. Their discussion informs the formulation of what will be referred to as characteristics of efficacy. These characteristics will be used as a secondary means of evaluating program efficacy, evidence of job creation being the primary characteristic.** Other characteristics of efficacy to be described in more detail below are: fostering personal relationships, coordinating with other agencies on regional economic development, providing a structured forum for economic development decisions, facilitating financial investment in the community, encouraging innovation, creativity or new technologies and providing new skills to participants.

Researchers (Flora et al., 1997 and Flora and Flora, 1993) suggest that **personal connections** are important to the success of economic development strategies. These connections can help overcome barriers found in rural communities, such as low population densities and poor access to resources. Lyons (2000) states that in addition to technical assistance, economic development programs should attempt to explicitly build personal relationships and regional networks from which individual business owners will benefit. The formal or informal creation of personal connections between business owners and others is considered a 'characteristic of efficacy' for the purposes of this project and will be investigated as part of the in-depth case studies.

Another factor that received significant attention in the literature was **inter-agency coordination**. Lyons (2000) indicates that one implementation program will not be successful at achieving economic gains alone; there must be inter-program coordination in order to sufficiently fulfill the needs of rural entrepreneurs. In addition to this, interagency coordination was described as very important to rural economic development by a number of sources. Kettles (2004) goes so far as to say

that there is “universal agreement on the lack of coordination within the institutional network supporting rural development, and among policy makers, thought leaders, and practitioners” (p.8).

Initial interviews with program coordinators indicated that, indeed, inter-agency coordination is important. Six of nine programs interviewed mentioned coordinating with multiple other programs in order to provide services to the business community. One respondent said that this allows them to prevent duplication of services and be more strategic with limited resources. The clearest examples of agency coordination described was the Business Alliance in Tuolumne County which includes the Chamber of Commerce, the County Economic Development Authority which houses a revolving loan fund, the Small Business Development Center, the local college and the Corps of Retired Economic Professionals. The Chamber of Commerce is primarily responsible for intake of perspective clients but all agencies have a referral form that they share. When existing or prospective businesses contact one of these agencies, they go through an intake interview using the referral form and then are referred to the appropriate agency for assistance. The Business Alliance tracks these referrals using a customer relationship management software program. Other coordination included bi-monthly meetings, co-sponsored events or training, and an annual business services summit. The Business Alliance agencies have memoranda of understanding describing their relationships and what they entail. The other five respondents who mentioned coordination described something similar to the referral program described above, though some were less formal. Three of them also mentioned co-sponsoring of events and/or trainings but did not specify if they had regular meetings with the other agencies ((Director of Economic Development: Tuolumne County, personal communication, February 10, 2011; Business Development Director: Tulare EDC, personal communication, February 10, 2011 and Director of Business and Community Development: Fresno EDC, personal communication, April 28, 2011.)

Due to the attention that inter-agency coordination received in the literature and the findings from preliminary interviews with program coordinators, inter-agency coordination was also considered a characteristic of efficacy that warranted exploration and evaluation in the in-depth case studies.

Lastly, Kettles (2004) states that use of **new technologies and innovative product development** can make businesses more competitive by increasing the value provided to the consumer. The use of these techniques as part of current economic development efforts in rural California will be investigated as part of this project.

Key Points from Background Research

This background research provides necessary background information for further investigation of rural economic development implementation programs and the formulation of economic development strategies for the City of Guadalupe.

Definitions

- Economic development includes actions taken by local government or non-governmental agencies to create employment opportunities using techniques designed to retain wealth locally.
- There are many definitions of rural, based on population statistics, which are used for quantitative data analysis and comparison. However, a definition of rural based solely on population does not serve well in a discussion of economic development. These models fail to identify the unique characteristics of rural communities that can make economic development more difficult in these areas. For that, one must turn to more qualitative descriptions.
- Flora and Flora (1993) discuss cultural obstacles encountered in rural areas such as 'independently minded' attitudes or the feeling that everyone knows everyone. These characteristics can discourage investment in the local community and reduce cooperation between business owners. It can also lead to the suppression of community controversies. Flora and Flora (1993) suggest that the presence of depersonalized public decision-making processes can help overcome such cultural obstacles and create more creative, inclusive economic development strategies.
- Lyons (2000) states that there are significant obstacles to rural development and that much more than any one individual economic development program is necessary to overcome these obstacles. Challenges include "the fact that economies of scale, or critical mass [a minimum amount of people required to start or maintain a venture], may be harder to achieve; business services and other resources may be in short supply; capital for entrepreneurial endeavors may be lacking; agriculture, or another single industry, may dominate the economy, stifling innovation; and immediate sources of information and ideas may be limited" (p.1).

- Small populations, isolation and economies based on natural resources are considered characteristics of rural communities that can pose difficulties to economic development.
- Characteristics of an effective program might include things like the structured, public decision making processes, deliberate creation of personal connections and increased access to financing. Exposure to new ideas and technologies and/or assistance with product development might also be important to effective rural development.

Economic Development Strategies

Economic development strategies usually consist of recruitment of outside firms, retention of existing businesses or enterprise development.

- Recruitment strategies are aimed at attracting firms or industries to an area. Techniques include providing detailed information and technical assistance related to relocation and providing various incentives in order to encourage/facilitate needed or desirable industries moving to the area. The attractiveness of this strategy is the ability to provide a large number of jobs in a short amount of time.
- Subsidies given to industry may take money away from public services in the area and in exchange for these increased community costs, jobs provided by large outside firms tend to be low-paying and there is no guarantee that firms will remain in the area long enough to recuperate the costs of the recruitment strategy.
- According to Loveridge and Smith (1992), business retention and expansion programs “are designed to resolve barriers to business growth and stability in the community” (p. 67). This is achieved by first selecting a program coordinator and creating a taskforce, which usually includes “representatives from utilities, business, education and local government” (p .67). This initial taskforce may then recruit additional volunteers or visit local businesses themselves to do a needs assessment. The task force reviews the surveys and assigns one of the members or the program coordinator to follow up with problems or issues encountered. In some cases this survey data were also reported on and used as part of a strategic planning process (Loveridge and Smith, 1992).
- All of the programs falling into ‘most successful’ category wrote recommendations for improvement of the local business climate.
- More recent thought on expansion strategy has focused on encouraging and supporting a cluster of related industries and fostering innovation and competition in order to increase total productivity (Porter, 2000). “Broadly defined, an industry cluster is a loose, geographically bounded collection of similar and/or related firms that together create competitive advantages for member firms and the host economy” (Rosenfeld 1995 in Barkley, D.L. and Henry, M. S., 1997, p. 308). These clusters are thought to provide important benefits to the local economy in terms of jobs, income, and export growth (Waits, 2000).
- Each cluster has a chair, who is a representative of the industry, and a manager, who is staff at a local economic development agency. Clusters meet quarterly to discuss their mission and goals and re-adjust these things as needed. They also hold networking events and host speakers. All cluster managers report to the resource team at regularly scheduled meetings.
- Findings indicate that the efficacy of economic policy was related to the ability of businesses and workers to define their own needs rather than having them defined by

public officials. Cluster programs facilitate that.

- Encouragement of new business is achieved through small business development centers or other business assistance programs. Services include “assisting small businesses with financial, marketing, production, organization, engineering and technical problems and feasibility studies” (“The Facts about SBDCs,” n.d., para. 1). Services are free and programs are available to any new or existing business owner who cannot afford a private consultant. These programs are intended to promote new enterprise and create jobs.
- A considerable body of research has accumulated in the United States that suggests outsider assistance can have a substantial impact on new venture startup, survival, and performance” outsider assistance had a statistically significant positive effect on the likelihood of starting a business. Entrepreneurs receiving business assistance early on was related to long-term survival however, there is little research on the efficacy of business assistance programs in rural settings.
- Another model of enterprise development is the business incubator program. The incubator integrates traditional elements of small business development programs such as development of a business plan and assistance with lending, with arrangements for no-cost or low-costs office/business space and or equipment (Cytron, 2006).
- Business incubators are a relatively new economic development technique and the efficacy of these programs is open for debate. According to the National Business Incubation Association (2009) the effectiveness of incubator programs is dependent on a solid feasibility study

Characteristics of Efficacy

Some obstacles that need to be overcome in order to achieve economic gains for rural areas. Their discussion informs the formulation of what will be referred to as characteristics of efficacy. These characteristics will be used as a secondary means of evaluating program efficacy, evidence of job creation being the primary characteristic.

- Researchers (Flora et al., 1997 and Flora and Flora, 1993) suggest that personal connections are important to the success of economic development strategies
- Lyons (2000) indicates that one implementation program will not be successful at achieving economic gains alone; there must be inter-program coordination in order to sufficiently fulfill the needs of rural entrepreneurs. Initial interviews with program coordinators indicated that, indeed, inter-agency coordination is important.
- Kettles (2004) states that use of new technologies and innovative product development can make businesses more competitive by increasing the value provided to the consumer.

PROJECT SETTING: GUADALUPE, CALIFORNIA

The setting chapter is intended to provide information about the project site: Guadalupe, CA.

Demographic and economic data are presented and analyzed in order to draw comparisons to the

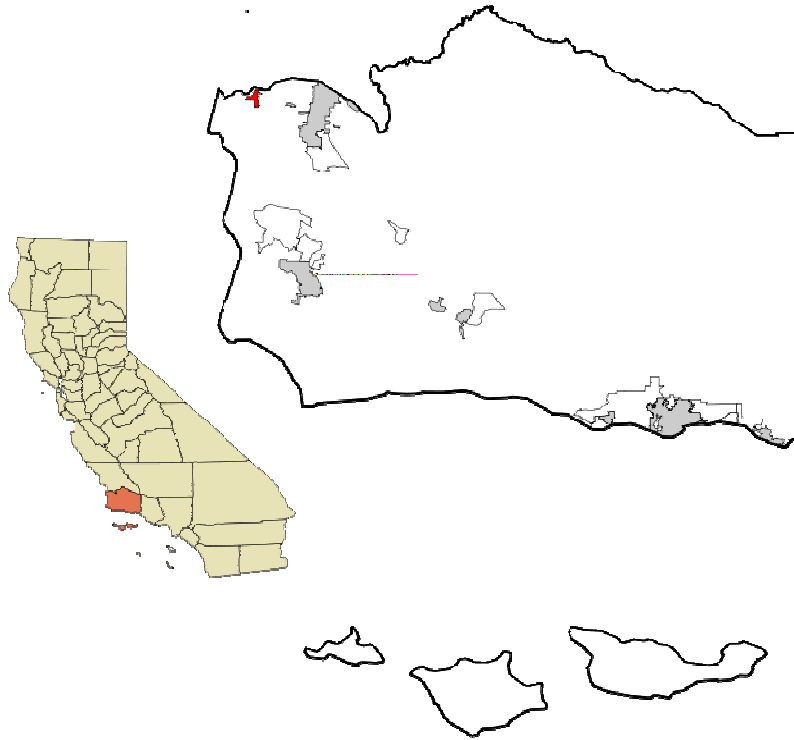
literature regarding rural characteristics and the challenges they pose to economic development. In order to supplement available quantitative data, information collected in phase two-interviews with Guadalupe business owners and city officials has been included in the two final sections of this chapter. The chapter is divided into demographics, economics, profile of Guadalupe businesses and conclusions.

Community Context

The City of Guadalupe is located on the Pacific Coast Highway and the Union Pacific Railroad in northwestern Santa Barbara County. As part of the Santa Maria Valley agricultural region, **the City is a hub for processing and shipping of produce from many of the farms that surround it.** To the north of the City is the Santa Maria River and the San Luis Obispo County line. To the west lies the Guadalupe-Nipomo Dunes Complex and Rancho Guadalupe Dunes Preserve. The Guadalupe Nipomo Dunes Complex is one of the largest remaining sand dunes in the State. About eight miles east of Guadalupe is the City of Santa Maria, and approximately 12 miles to the east is US Highway 101. A small range of hills conceals Vandenberg Air Force Base, 26 miles to the south.

This City is somewhat isolated from the major highway in the County and all of the North County cities are isolated from the County seat, Santa Barbara by a large stretch of undeveloped land. **Many of the economic development agencies in the County are based in the City of Santa Barbara and don't provide satellite offices in the North County.**

Figure 2.1. Map of California with Santa Barbara County in red and map of Santa Barbara County with Guadalupe in red.



Source: http://en.wikipedia.org/wiki/Guadalupe,_California

Figure 2.2. Map of Guadalupe and Environs.



Source: <http://www.google.com/mapmaker>

According to Hoffman (2002), the area known as “Rancho de Guadalupe” was deeded to Diego Olivera and Teodoro Arrellanes in 1840. Due to heavy rains followed by drought between 1861 and 1864, many ranches, including Rancho de Guadalupe were forced into bankruptcy. The land transferred ownership to creditors who then sold it to LeRoy Interests in 1870. The LeRoy brothers were French bankers who became wealthy selling merchandise to gold miners. They subdivided the holding into farms and dairies and the town of Guadalupe began to develop around the two remaining adobes from the original ranch. Increasing commercial activity in the next few years prompted the LeRois to commission a land survey for layout of the town. By 1875, the town had 100 dwellings, several stores, including a department store, saloons, a church and a post office making it the largest town in the Santa Maria Valley at the time (Hoffman, 2002).

A new wave of growth began two decades later when the Southern Pacific Railroad was built to pass through Guadalupe. The service began in 1895 and continues today, however, trucking has largely replaced rail as a means of goods transportation. Since the City is not located on a major highway, this transition in goods transportation caused economic growth in the City to drop off. This economic ‘slow-down’ probably began a decade or so after the City incorporated in 1946 (Hoffman, 2002).

Agriculture in Santa Barbara County

Despite the rise of truck transportation, the City continues to be a hub for agricultural activity. According to the American Farmland Trust (2007), Santa Barbara County is among the most valuable agricultural counties in the nation in terms of dollar value of farm products. “In 2006, the value of its agricultural commodities topped \$1 billion ... Including food processing and farm support businesses, the agricultural sector contributes about \$2 billion annually to Santa Barbara’s economy” (p. 3). **Agriculture in the area is becoming increasingly intensive with “95 percent of the value of farm products produced on 16 percent of harvested acreage” (p. 15). Land ownership in the County is also somewhat concentrated with 85 percent of land held by 139 farms** (American Farmland Trust, 2007). In 2009, the

most valuable crops in the County were strawberries, broccoli, wine grapes, cauliflower and head lettuce (Santa Barbara County, 2010).

Guadalupe agriculture has transitioned many times in response to market conditions and local demographic changes. There has been a progression from ranching, to dairy farming, to wheat, barley and sugar beats and now fruits and vegetables. Large-scale vegetable production around Guadalupe got its start when in 1927, the sugar beet company in nearby Betteravia closed temporarily due to an insect infestation and many of the sugar beet farmers turned to row crops (Hoffman, 2002).

Demographics

Population demographics for Guadalupe provide important information about current economic needs and the City's workforce. Demographics to be discussed in this section are population and age distribution, race and ethnicity, nativity, English proficiency and educational level.

Population and Age Distribution

According to the 2010 Census, the population of Guadalupe is 7080. During the nineteen nineties Guadalupe experienced relatively moderate growth, with a population growth rate of 3.3%. **Since 2000 however, Guadalupe has experienced a 25% increase in population.** While this is very high, it is slightly lower than the growth experienced by Santa Maria, which grew by 29%. Meanwhile, the Santa Barbara countywide population growth rate was only 6.2% between 2000 and 2010. This may be related to the fact that **northern Santa Barbara County is much more affordable than surrounding areas.**

Table 2.1. Population Growth in Guadalupe and Santa Barbara County from 1990 to 2000

	1990	2000	2010	Percent Change (1990-2000)	Percent Change (2000-2010)
Guadalupe	5,479	5,659	7,080	3.3%	25.1%
Santa Barbara County	369,608	399,347	423,895	8.1%	6.2%

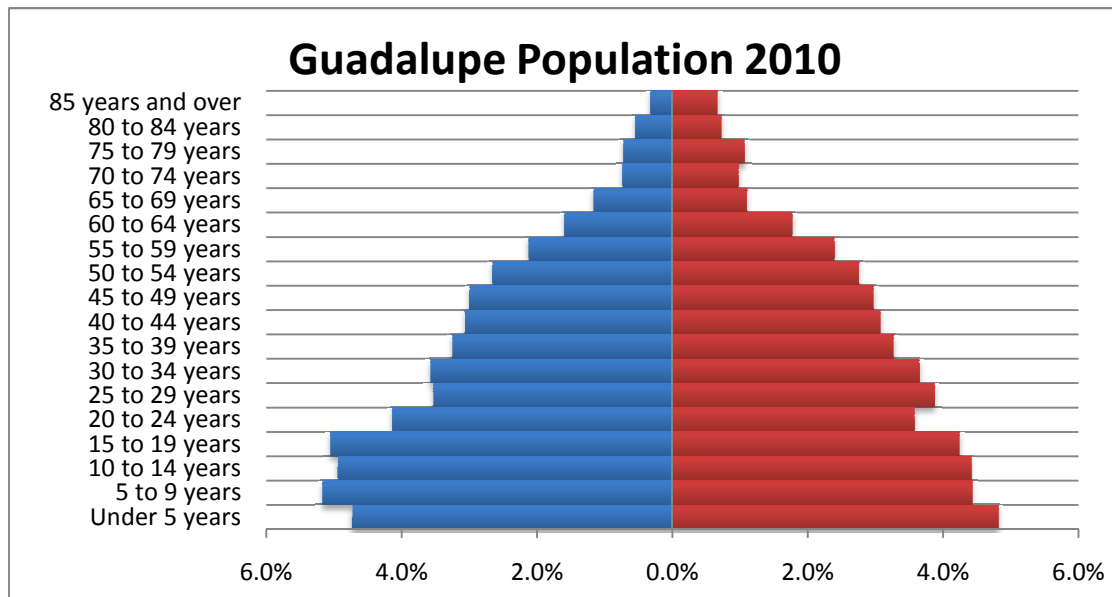
Sources: US Census Bureau, SF3:PF1, 1990, 2000; US Census Bureau, DP1, 2010.

The age distribution of Guadalupe and Santa Barbara County are shown in Figures 2.3 and 2.4.

These figures break down the total population into age and gender categories. They show that

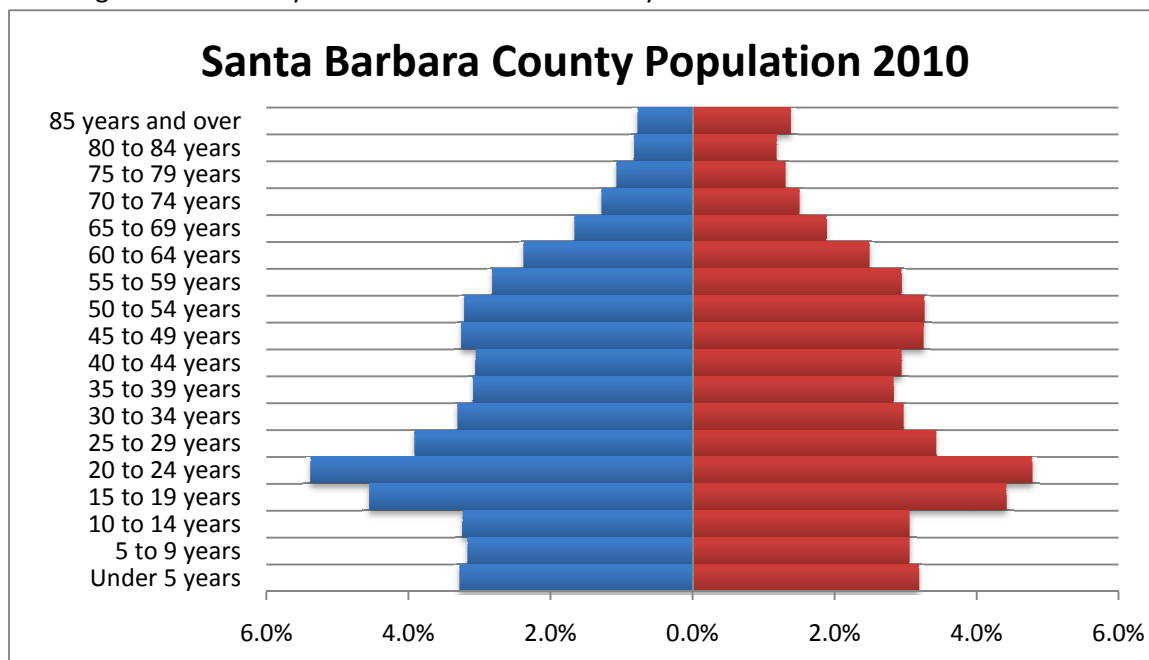
Guadalupe's age distribution differs somewhat from that of the County, with a larger percentage of the population being young children and a smaller percentage of the population being older adults or college age. The median age for Guadalupe is 28.2 years and the median for the County is 33.6 years.

Figure 2.3. Age distribution by sex for Guadalupe. Males are in blue and females in red.



Source: U.S. Census Bureau. (2010). *Profile of Population and Housing Characteristics: Guadalupe, CA*. Retrieved May 15, 2011, from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_DP_DPDP1&prodType=table

Figure 2.4. Age distribution by sex for Santa Barbara County. Males are in blue and females in red.



Sources: U.S. Census Bureau. (2010). *Profile of Population and Housing Characteristics: Santa Barbara County, CA*. Retrieved May 15, 2011, from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_DP_DPDP1&prodType=table

Figures 2.3 and 2.4 demonstrate that Guadalupe has a larger proportion of young children than Santa Barbara County. The County has a large proportion of people between the ages of 15 and 29. This is probably due to several colleges located in the County. Guadalupe has a fair sized working population (people ages 15-64) and a slightly smaller proportion of older adults than the County. **The fact that Guadalupe has a good size working age population has positive implications for economic development in Guadalupe.** It does not seem to indicate that people of working age are leaving the City to find work.

Race and Ethnicity

The City of Guadalupe differs from Santa Barbara County in both racial and ethnic composition. In terms of race, the County was 69.6% white of one race, while Guadalupe was only 48% white of one race. **For ethnicity, the County is 42.9% Hispanic or Latino and Guadalupe is more than double that at 86.2%. While the total population of Guadalupe has grown quite a bit in recent years, the City has not**

experienced the kind of drastic change in racial and ethnic composition that some communities in California and other parts of the Southwest have experienced. There was a 2.5% increase in residents identifying as white alone and a 1.7% increase in those identifying as Hispanic or Latino. Both of these changes are more moderate than what was experienced countywide. This is demonstrated in table 2.2 which shows race and ethnicity for Guadalupe and Santa Barbara County in 2000 and in 2010. It is worth noting that the City of Santa Maria also has a fairly high proportion (70.4%) of Hispanic or Latino residents when compared to the County.

Table 2.2. Racial and Ethnic composition of Guadalupe and Santa Barbara County, 2000 and 2010

Race and Ethnicity	Guadalupe		Santa Barbara County	
	2000	2010	2000	2010
White alone	45.5%	48.0%	72.7%	69.6%
Hispanic or Latino	84.5%	86.2%	34.2%	42.9%

Source: U.S. Census Bureau. (2010). *Profile of Population and Housing Characteristics: Guadalupe, CA and Santa Barbara County, CA*. Retrieved May 15, 2011, from

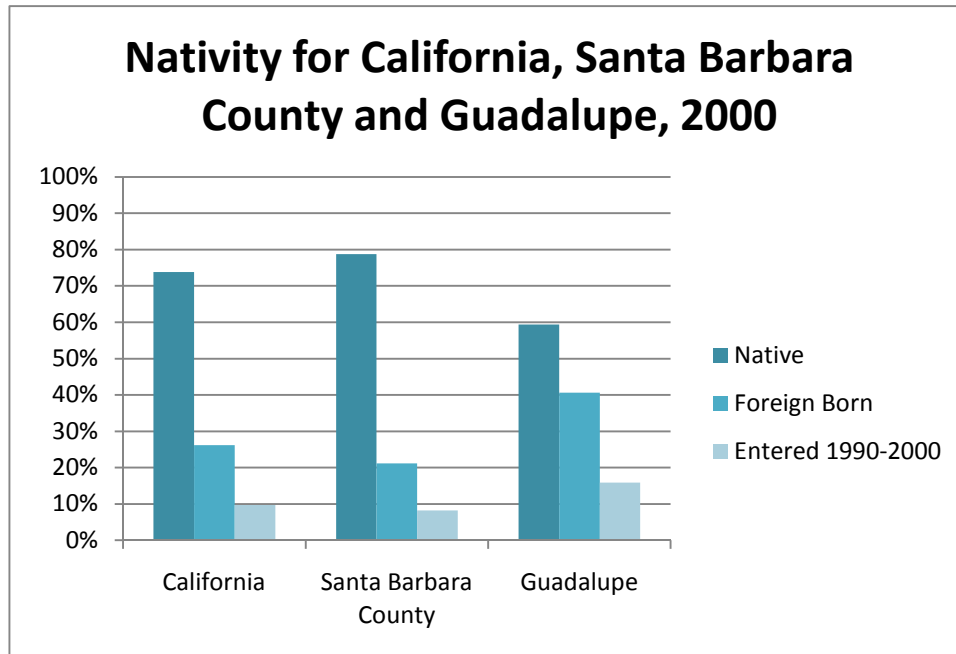
http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_DP_DPDP1&prodType=table: U.S. Census Bureau. (2000). *Race and Hispanic or Latino, Summary File 1: Guadalupe, CA and Santa Barbara County, CA*. Retrieved May 18, 2011, from

http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_00_SF1_GCTP6.US10PR&prodType=table

Nativity and Language Proficiency

The fact that Guadalupe's racial and ethnic composition has been fairly stable does not mean that there has not been any immigration. **The 2000 Census showed that 16% of Guadalupe's population had entered the country between 1990 and 2000. This was moderately higher than the State and County.**

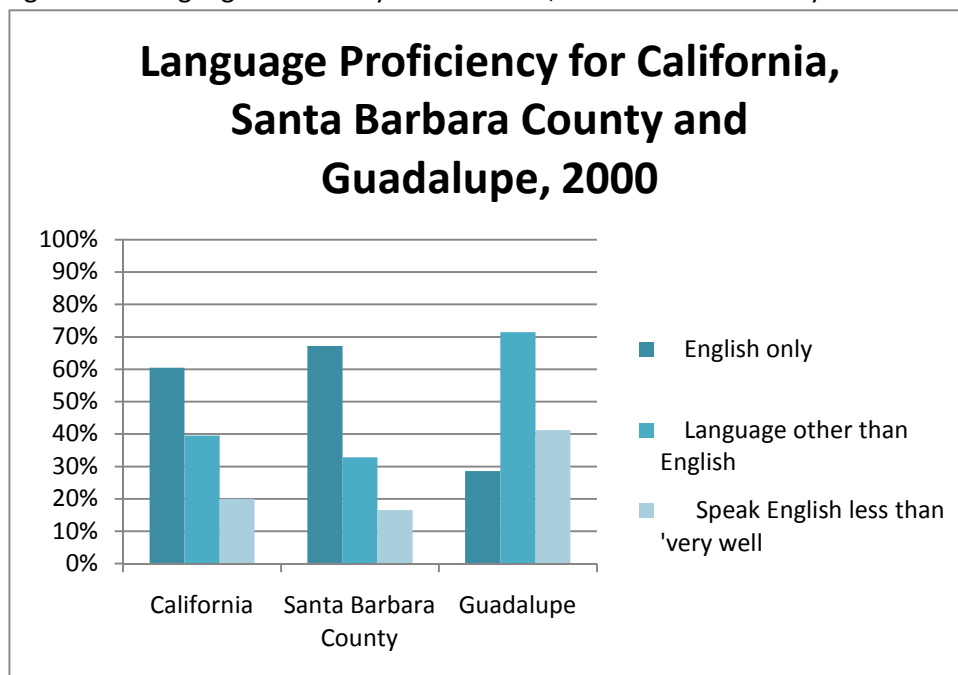
Figure 2.5. Nativity for California, Santa Barbara County and Guadalupe, 2000.



Source: U.S. Census Bureau. (2000). *Profile of Selected Social Characteristics, Summary File 3: California, Santa Barbara County, CA and Guadalupe, CA*. Retrieved May 18, 2011, from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_00_SF3_DP2&prodType=table

Additionally, as of the 2000 Census there were many residents, 41%, who spoke English less than ‘very well.’

Figure 2.6. Language Proficiency for California, Santa Barbara County and Guadalupe, 2000.

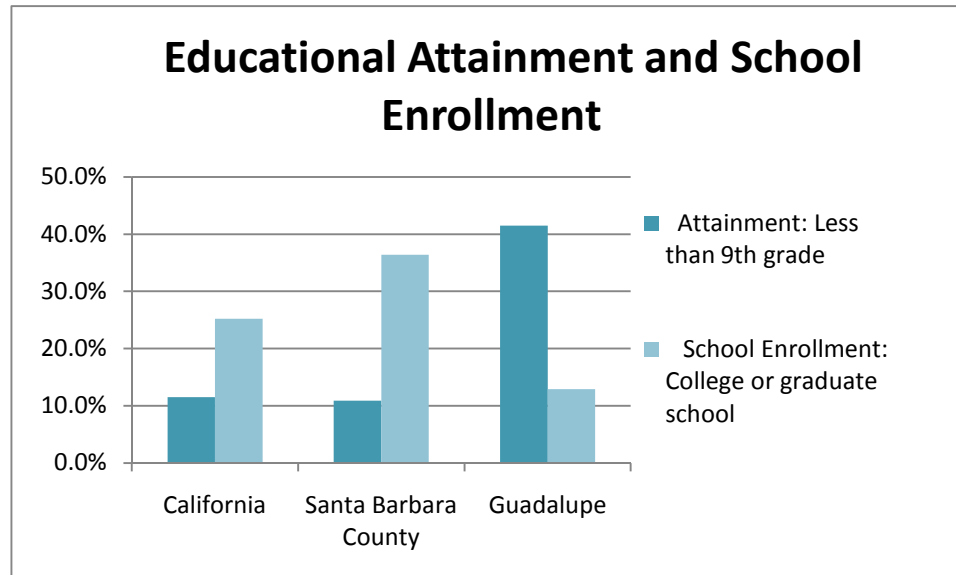


Source: U.S. Census Bureau. (2000). *Profile of Selected Social Characteristics, Summary File 3: California, Santa Barbara County, CA and Guadalupe, CA*. Retrieved May 18, 2011, from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_00_SF3_DP2&prodType=table

Education

Guadalupe residents had poor educational attainment levels when compared to the County and State. 41.5% of Guadalupe residents, aged 25 or older, had less than a ninth grade education as of 2000. School enrollment in college or graduate school was also lower than the County and the State with only 12.9% of Guadalupe residents enrolled in college or graduate school.

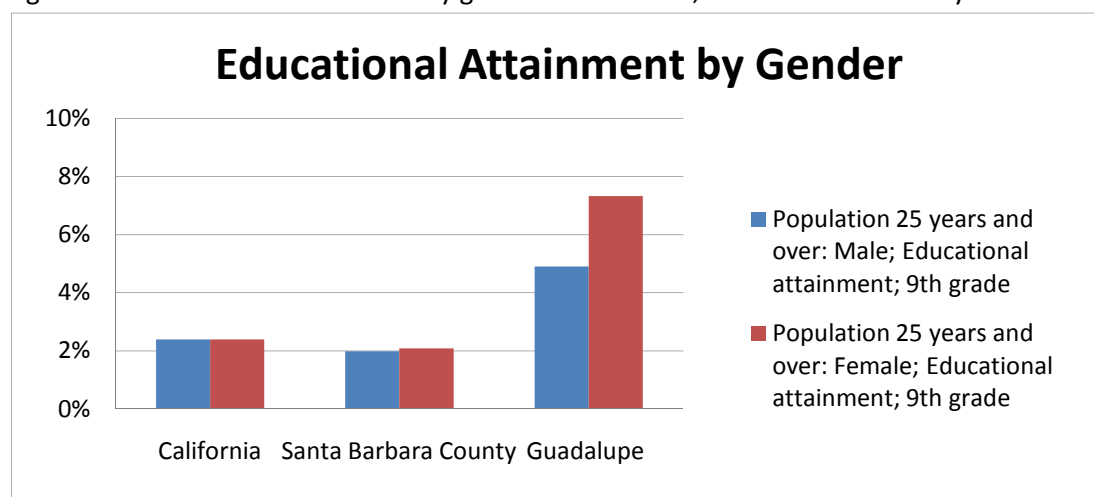
Figure 2.7. Educational attainment and school enrollment in California, Santa Barbara County and Guadalupe, 2000



Source: U.S. Census Bureau. (2000). *Profile of Selected Social Characteristics, Summary File 3: California, Santa Barbara County, CA and Guadalupe, CA*. Retrieved May 18, 2011, from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_00_SF3_DP2&prodType=table

Educational attainment differed by gender for those age 25 years and older in Guadalupe. 7.3% of women and only 4.9% of men reported ninth grade as highest level of educational attainment. There was fairly little gender difference in educational attainment for California or Santa Barbara County.

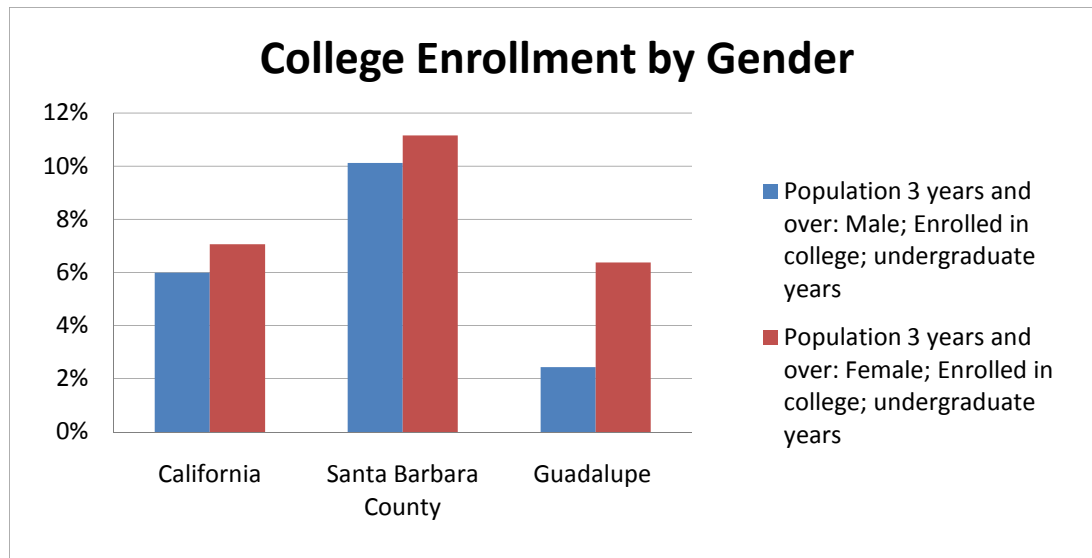
Figure 2.8. Educational attainment by gender in California, Santa Barbara County and Guadalupe, 2000



Source: U.S. Census Bureau. (2000). *Profile of Selected Social Characteristics, Summary File 3: California, Santa Barbara County, CA and Guadalupe, CA*. Retrieved January 25, 2007, from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_00_SF3_DP2&prodType=table

College enrollment also differed by gender in Guadalupe. 6.4% of Guadalupe females and only 2.4% of Guadalupe males were enrolled in college. California and Santa Barbara County females were also more likely to be enrolled in college, but the gender difference in Guadalupe was more dramatic.

Figure 2.9. College enrollment by gender in California, Santa Barbara County and Guadalupe, 2000



Source: U.S. Census Bureau. (2000). *Profile of Selected Social Characteristics, Summary File 3: California, Santa Barbara County, CA and Guadalupe, CA*. Retrieved January 25, 2007, from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_00_SF3_DP2&prodType=table

Literature on rural characteristics suggests that educational attainment in rural areas is lower than urban areas (Beaulieu and Israel, 2011.) Guadalupe fits this description both in terms of educational attainment for adults and in terms of post-high school enrollment. This will pose a challenge to economic development efforts in the City as the workforce may not be equipped for skilled labor. Interestingly, there is a dramatic differentiation in educational attainment by gender in Guadalupe, with college enrollment for females more than double what it is for males.

Economics

Economic data will provide an understanding of the current economic conditions in Guadalupe. Economic data included in this section are income, employment and taxable sales data.

Income

According to 2009 American Community Survey estimates, the median income for California was \$60,392 and the median income for Santa Barbara County was \$59,350. The median for Guadalupe was estimated at \$41,126. The US Economic Census determines average annual salaries by industry and categorizes them as low, mid and high wages. Table 2.3 shows the income categories and percentage of Guadalupe jobs that fall into each category. As the table indicates, **about 60% of jobs fall in the low wage category and 35% in the mid wage category, leaving only 5% of jobs in the high wage range.**

Table 2.3. Percentage of Jobs in Low, Mid and High Wage Categories

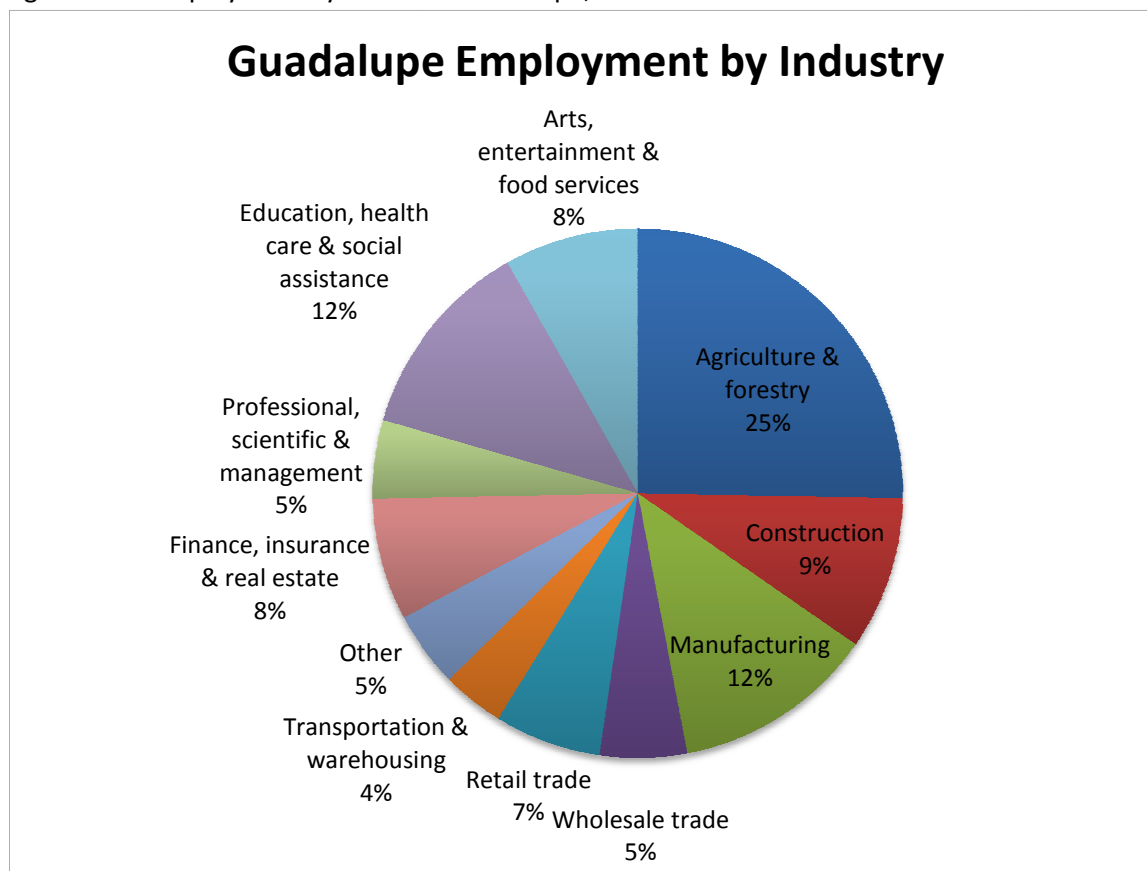
Wage Category	Income	Percent
Low	Under \$30,000	59.8%
Mid	Between \$30,000 and \$50,000	35.6%
High	Over \$50,000	4.6%

Sources: U.S. Census Bureau. (2009). *Selected Economic Characteristics, American Community Survey: Guadalupe, CA*. Retrieved May 11, 2011, from http://factfinder.census.gov/servlet/ADPTable?_bm=y&-geo_id=16000US0631414&-qr_name=ACS_2009_5YR_G00_DP5YR3&-context=adp&-ds_name=&-tree_id=5309&-_lang=en&-redoLog=false&-format; U.S. Census Bureau. (2007). *Economy-Wide Key Statistics: Guadalupe, CA*. Retrieved May 30, 2011, from http://factfinder.census.gov/servlet/IBQTable?_bm=y&-geo_id=E6000US0608331414&-ds_name=EC0700A1&-_lang=en

Employment

Twenty five percent of all working residents in Guadalupe are employed in the agricultural sector. Other sectors employing many people were education, manufacturing and construction. Figure 2.10 shows a breakdown of employment by sector for the City. The proportion of jobs in agriculture in the County is about 7%, and in the state it is about 2%.

Figure 2.10. Employment by sector in Guadalupe, 2009 Estimate.



Source: U.S. Census Bureau. (2009). *Selected Economic Characteristics, American Community Survey: Guadalupe, CA*. Retrieved May 11, 2011, from http://factfinder.census.gov/servlet/ADPTable?_bm=y&-geo_id=16000US0631414&-qr_name=ACS_2009_5YR_G00_DP5YR3&-context=adp&-ds_name=&-tree_id=5309&-_lang=en&-redoLog=false&-format

Table 2.4 shows the percent change in agricultural employment between 1990 and 2009 for Santa Barbara County and Guadalupe. The proportion of employment in the agricultural industry decreased for both the County and the City. **Agricultural jobs shrank by 12.4 % in the County and almost 30% in Guadalupe. This suggests that the economic shift in rural economies described in the literature, away from agricultural employment, is occurring in Santa Barbara County** (Beaulieu and Israel, 2011.) Table 2.5 provides more detail on which industries are shrinking and which are growing in Guadalupe. Another economic shift described in the rural development literature is a shift away from low-skilled manufacturing (Beaulieu and Israel, 2011.) Guadalupe experienced a 160% increase in the proportion of

manufacturing jobs between 2000 and 2009. This does not appear to confirm the shift away from manufacturing.

Table 2.4. Agricultural Employment 1990, 2000 and 2009 for Santa Barbara County and Guadalupe

	1990 Agricultural Employment	2000 Agricultural Employment	2009 Agricultural Employment	Percent Change 1990-2009
Santa Barbara County	8.0%	6.7%	7.0%	-12.4%
Guadalupe	35.5%	28.4%	25.3%	-28.7%

Sources: U.S. Census Bureau. (1990). *Labor force Status and Employment Characteristics, Summary File 3: Santa Barbara County, CA and Guadalupe, CA*. Retrieved May 11, 2011, from http://factfinder.census.gov/servlet/QTSUBJECTSHOWTABLES?_ts=324867038740; U.S. Census Bureau. (2000). *Profile of Selected Social Characteristics, Summary File 3: California, Santa Barbara County, CA and Guadalupe, CA*. Retrieved January 25, 2007, from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_00_SF3_DP2&prodType=table; U.S. Census Bureau. (2009). *Selected Economic Characteristics, American Community Survey: Guadalupe, CA*. Retrieved May 11, 2011, from http://factfinder.census.gov/servlet/ADPTABLE?_bm=y&-geo_id=16000US0631414&-qr_name=ACS_2009_5YR_G00_DP5YR3&-context=adp&-ds_name=&-tree_id=5309&-_lang=en&-redoLog=false&-format

Table 2.5. Employment by Industry in 2000 and 2009 and Average Annual Income for Guadalupe

Industry	2000	Percent	2009	Percent	Percent Change	Average Annual Salary 2002
Civilian employed population 16 years and over	2,075	NA	2,755	NA	32.8%	NA
Agriculture, forestry, fishing and hunting, and mining	590	28%	697	25%	-18%	\$18,331
Construction	102	5%	258	9%	153%	\$37,901
Manufacturing	131	6%	340	12%	160%	\$41,119
Wholesale trade	101	5%	146	5%	45%	\$48,143
Retail trade	306	15%	179	6%	-42%	\$24,445
Transportation and warehousing, and utilities	90	4%	104	4%	16%	\$33,049
Finance and insurance, and real estate and rental and leasing	75	4%	205	7%	173%	\$23,637
Professional, scientific, and management, and administrative and waste management services	147	7%	132	5%	-10%	\$33,870
Educational services, and health care and social assistance	199	10%	341	12%	71%	\$25,541
Arts, entertainment, and recreation, and accommodation and food services	188	9%	225	8%	20%	\$25,432
Other services, except public administration	95	5%	75	3%	-21%	\$53,247
Public administration	51	2%	53	2%	4%	\$62,289

Sources: U.S. Census Bureau. (2000). *Profile of Selected Social Characteristics, Summary File 3: California, Santa Barbara County, CA and Guadalupe, CA*. Retrieved May 18, 2011, from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_00_SF3_DP2&prodType=table; U.S. Census Bureau. (2009). *Selected Economic Characteristics, American Community Survey: Guadalupe, CA*. Retrieved May 11, 2011, from http://factfinder.census.gov/servlet/ADPTABLE?_bm=y&-geo_id=16000US0631414&-qr_name=ACS_2009_5YR_G00_DP5YR3&-context=adp&-ds_name=&-tree_id=5309&-_lang=en&-redoLog=false&-format; U.S. Census Bureau. (2002). *Economy-Wide Key Statistics*:

Guadalupe, CA. Retrieved May 30, 2011, from http://factfinder.census.gov/servlet/IBQTable?_bm=y&-geo_id=E6000US0608331414&-ds_name=EC0700A1&-_lang=en

Taxable Sales

There is evidence to suggest that there is leakage of retail sales from Guadalupe to Santa Maria and other cities. In 2009, Santa Barbara County taxable sales for retail and food services were \$8.57 per capita. Guadalupe retail and food services taxable sales were \$1.70 per capita. For Santa Maria, the figure was slightly higher than the County at \$9.95 per capita. This indicates that there may be a lack of retail opportunities in Guadalupe, drawing people to Santa Maria and other surrounding cities for their shopping.

Table 2.6. Taxable Sales per Capita for Santa Barbara County, Guadalupe and Santa Maria, 2009

Taxable Sales per Capita		
	Retail and Food Services	Total Taxable Sales
Santa Barbara County	\$8.57	\$12.04
Guadalupe	\$1.70	\$2.72
Santa Maria	\$9.95	\$13.04

Sources: California Board of Equalization. (2009). *Taxable Sales by City*. Retrieved May 18, 2011, from <http://www.boe.ca.gov/news/tsalescont.htm>: U.S. Census Bureau. (2010). *Profile of Population and Housing Characteristics: Santa Barbara County, CA*. Retrieved May 15, 2011, from http://factfinder2.census.gov/faces/tables/services/jsf/pages/productview.xhtml?pid=DEC_10_DP_DPDP1&prodType=table

Profile of Guadalupe Businesses

During Phase Two of data collection, interviews were conducted with Guadalupe business owners or company leaders and City officials in order to supplement quantitative information available on the Guadalupe setting. A total of eight interviews were conducted with business owners and company presidents in Guadalupe. They represented a total of nine businesses due to the fact that one person owns two businesses. Six of the eight interviewees were business owners, one was a manager and one was a company president.

A total of 335 business licenses were issued for fiscal year 2010-2011 but the City of Guadalupe. A smaller group of 78, obtained from a list used by building inspectors, was used for the purposes of conducting interviews. This list was used for two reasons: First, some of the businesses that have

licenses are actually located outside of the City but work there on occasion. Second, more up date information, including status of business (active or closed), and type of business was only available for the smaller list. Guadalupe does not compile any sort of statistics on local businesses. With assistance from City staff, the type of each business was identified and placed into categories accordingly. The categories were: other services, retail, food service, agriculture related businesses, construction/manufacturing, and entertainment. Businesses known to be not-for-profit or social service-related were eliminated from the list. This accounted for 12 of the businesses. The number of businesses (excluding social services) in each category is shown in table 2.7.

‘Other services’ was broadly defined and included any business that charged for some type of service, regardless of whether or not they also sold items for retail. The most common business in Guadalupe in the ‘other services’ category was automobile repair. However, this category also included businesses providing health services, barbershops, a Laundromat and a bank, to mention a few. ‘Retail’ encompassed businesses that received all of their income from retail sales and which did not provide any type of service. The ‘Food service’ category covered both restaurants and markets that also sold prepared food. ‘Agriculture related’ included businesses such as vegetable packing plants and cooling operations. ‘Construction/manufacturing’ included construction companies and non-agriculture related manufacturing operations, such as a plastics manufacturing business. The single business in the entertainment category was a pool hall.

Table 2.7. Guadalupe businesses organized by type.

Type of Business	Number of Businesses
Other Services	19
Retail	17
Food Service	17
Agriculture related	7
Construction/Manufacturing	5
Entertainment	1

The business owners interviewed had generally been in business in Guadalupe for several years. The shortest amount of time a respondent had been in business was three years but that particular person has also owned another business in town for 23 years. All of the other respondents had been operating in Guadalupe within a range of 12 to 52 years. In general the interviewees had a long history in the community and can be regarded as knowledgeable sources on the community setting in Guadalupe.

Several businesses contacted had very few employees, especially those in the service sectors. Two of the people interviewed had no employees and five of the people had between one and seven employees. One business had 'less than 25' employees and one had 85 full time employees and between 300-750 contract employees depending on the season. This was Apio, which is a vegetable packing, shipping and refrigeration company. As mentioned above, these businesses had significant history in the area. The two larger businesses contacted said that their current business had evolved from related business activities in the area. For example, the family who owns the Far Western Tavern was involved in agriculture and ranching in the area prior to opening the bar and restaurant. Apio was involved in farming and transplanting prior to their current activities.

Obstacles

Generally, interviewees readily identified obstacles to business in Guadalupe but two individuals mentioned that these obstacles weren't a problem for them since they had been 'around for a long time,' implying they had an established customer base due to their history in the area. **Obstacles related to the small size of the community and the large farm-worker population (implying low incomes) were mentioned by two respondents.** Two others feel that more could be done to attract people to the City, especially by promoting the beach. **Other obstacles mentioned included issues with the City permitting costs and process, lack of retail opportunities and people going to Santa Maria to shop.**

Retail Leakage

As was shown by the sales tax data and confirmed by some of the comments made by business leaders, Guadalupe has a comparatively low level of sales tax per capita. This implies that they have retail leakage, meaning that people are leaving the community to shop. As a result Guadalupe businesses lose profits and the City loses critical sales tax revenue. In an attempt to contextualize these findings, interviewees were asked about their spending habits. While not necessarily representative of the Guadalupe population, respondents were able to provide some insight as to why people are not shopping in Guadalupe. **Most of the business leaders interviewed said that they did most of their shopping outside of Guadalupe.** Only two of eight respondents said they bought groceries in the City. Some said they bought auto parts or things at the City's hardware store but one respondent specified that this was only for 'small jobs.' **Three respondents said that they try to buy locally but often aren't able to because the items they need aren't available in the local retail outlets. This confirms the findings information gathered from the California Board of Equalization regarding sales tax leakage to Santa Maria.**

Strengths and Weaknesses

In order to gauge what attractions the City has to offer and/or identify why people are not attracted to the City; business owners were asked whether or not they live in the Guadalupe and to explain why or why not. Three of eight respondents said they live in Guadalupe. Others lived in neighboring communities, such as, Santa Maria, Shell Beach, Arroyo Grande, and Nipomo. Most reasons given for choice of city did not relate to the character of Guadalupe but to other considerations. **One person stated, however, that they would not want to live in Guadalupe because they preferred the privacy that Nipomo provides which confirms what Flora and Flora (1993) say about rural settings, that there is a feeling that "everyone knows everyone."** Another respondent cited good schools as a **reason for choosing Arroyo Grande over Guadalupe.** This comment, indicating an unfavorable

perception of Guadalupe schools, may present an additional obstacle to economic development. **In addition to having low educational attainment among existing residents, Guadalupe may be challenged in attracting educated people with families to the area if they feel that their children will not receive a good education.**

The last question of the interview specifically asked respondents to list three things they would like to 'keep the same' and three things they would like to see change about Guadalupe. **The most frequent responses for things to preserve were the charming or small town atmosphere, the safety and security of the city and the historic buildings. Frequent responses for things to change were to increase attraction of people (tourists implied) to the area and to promote the beach.** These responses help to identify some of the strengths and weaknesses of the Guadalupe context. Findings from interviews with city officials will add other issues for consideration in preparation of an economic development strategy.

Table 2.7. Things to preserve and things to change in Guadalupe.

Things to preserve	Frequency	Things to Change	Frequency
Charm-the small town atmosphere	3	Increase attraction of people	3
Safety and security	2	Promote the beach more	2
Historic Buildings	2	It is not merchant friendly	1
Far Western Tavern	1	Facilities-lacking a gym, baseball field	1
BBQ pits at the park	1	Better historic preservation	1
Dunes Center	1	Police-that they work with businesses more	1
Historic Guadalupe Jail	1	Add a hotel	1
Calm	1	More magnet businesses	1
Everyone knows each other	1	Schools should be improved	1
The pro-business mayor	1	Make the town successful	1
Location	1	Entertainment	1
Accessibility of City staff	1	Better services: groceries and restaurants	1
Keep no center medians on Hwy166	1	Add commercial water rates	1
People-farmers	1	More customer service approach at the City	1

Informal interviews with City officials were conducted in order to identify other opportunities and constraints for development in Guadalupe. The City Administrator, Finance Director and Mayor were asked about past economic development efforts and what they thought might be successful in Guadalupe. Findings included the fact that the City has had a Chamber of Commerce in the past but it ‘fell apart’ because people were not professional and used it as a ‘forum for personal agendas.’ Currently, the City pays for a membership for the Guadalupe Merchants Association to the Santa Maria Valley Chamber of Commerce so that City businesses may receive services through that Chamber. This seems to confirm some of the rural cultural obstacles to economic development described by Flora and Flora (1993). Rural people tend to want to be ‘independent,’ shying away from coordinating with other businesses (Flora and Flora, 1993).

Like Guadalupe business representatives, **City officials were very positive about the possibility for increased tourism in the area. Current projects** designed to encourage tourism include the development of a Guadalupe farmers’ market and a brochure promoting local restaurants. City officials are currently working to improve beach access and develop Guadalupe as a Highway 1 stopping point for tourists. They have already taken steps to get Guadalupe listed on cycling websites that are used by cyclists wanting to bike the California coast and last year marked the first annual Salad Bowl Festival to celebrate agriculture in the area. The Dunes Center has also done much to attract attention to the valuable natural habitat areas that surround the City by providing guided nature walks at local open spaces and hosting photography exhibits at their office in downtown Guadalupe. City officials have taken steps towards preservation of historic buildings in the downtown, with the help of redevelopment funds. They have retrofitted the historic Lantern Hotel with retail space above apartments and have plans to restore the Basque House and Royal Theater, all of which are located in the main downtown corridor.

Conclusions

Based on the findings in this chapter, it appears that Guadalupe is constrained by many of the obstacles encountered in other rural communities such as educational attainment, poor access services, lack of coordination among business leaders and low median income. Additional barriers are retail leakage and language proficiency. Strong points are the prospect of tourist trade, rich community history and the implementation power of a redevelopment agency. Though there is currently lack of coordination among businesses, there were also some indications that Guadalupe business leaders and indications that business owners understand the importance of 'buying local,' meaning that they see the value of supporting other local businesses. This is a valuable asset if Guadalupe is going to try to foster more coordination between businesses.

Key Points from Setting

Demographic and economic data are presented and analyzed in order to draw comparisons to the literature regarding rural characteristics and the challenges they pose to economic development.

Community Context

- The City of Guadalupe is located on the Pacific Coast Highway and the Union Pacific Railroad in northwestern Santa Barbara County.
- The City is a hub for processing and shipping of produce from many of the farms that surround it.
- Agriculture in the area is becoming increasingly intensive with "95 percent of the value of farm products produced on 16 percent of harvested acreage" (p. 15). Land ownership in the County is also somewhat concentrated with 85 percent of land held by 139 farms (American Farmland Trust, 2007).
- Many of the economic development agencies in the County are based in the City of Santa Barbara and don't provide satellite offices in the North County.

Demographics

- Since 2000 however, Guadalupe has experienced a 25% increase in population. This may be related to the fact that northern Santa Barbara County is much more affordable than surrounding areas.
- The fact that Guadalupe has a good size working age population has positive implications for economic development in Guadalupe.
- Guadalupe has a high proportion of Hispanic/Latino residents has not experienced the kind of drastic change in racial and ethnic composition that some communities in California and other parts of the Southwest have experienced. However, language is

still an issue. As of the 2000 Census there were many residents, 41%, who spoke English less than 'very well.'

- Literature on rural characteristics suggests that educational attainment in rural areas is lower than urban areas. Guadalupe fits this description both in terms of educational attainment for adults and in terms of post-high school enrollment.

Economics

- About 60% of jobs fall in the low wage category and 35% in the mid wage category, leaving only 5% of jobs in the high wage range.
- Twenty five percent of all working residents in Guadalupe are employed in the agricultural sector. However, agricultural jobs shrank by 12.4 % in the County and almost 30% in Guadalupe. This suggests that the economic shift in rural economies described in the literature, away from agricultural employment, is occurring in Santa Barbara County.
- There is evidence to suggest that there is leakage of retail sales from Guadalupe to Santa Maria and other cities.

Profile of Guadalupe Businesses

- During Phase Two of data collection, interviews were conducted with Guadalupe business owners or company leaders and City officials in order to supplement quantitative information available on the Guadalupe setting.
- The business owners interviewed had generally been in business in Guadalupe for several years. Several businesses contacted had very few employees, especially those in the service sectors.
- Obstacles related to the small size of the community and the large farm-worker population (implying low incomes) were mentioned by two respondents. Other obstacles mentioned included issues with the City permitting costs and process, lack of retail opportunities and people going to Santa Maria to shop.

Strengths and Weaknesses

- Most of the business leaders interviewed said that they did most of their shopping outside of Guadalupe, confirming findings on retail leakage.
- One person stated, however, that they would not want to live in Guadalupe because they preferred the privacy that Nipomo provides which confirms what Flora and Flora (1993) say about rural settings, that there is a feeling that "everyone knows everyone."
- Another respondent cited good schools as a reason for choosing Arroyo Grande over Guadalupe. In addition to having low educational attainment among existing residents, Guadalupe may be challenged in attracting educated people with families to the area if they feel that their children will not receive a good education.
- In addition to having low educational attainment among existing residents, Guadalupe may be challenged in attracting educated people with families to the area if they feel that their children will not receive a good education.
- The most frequent responses for things to preserve were the charming or small town atmosphere, the safety and security of the city and the historic buildings.
- Frequent responses for things to change were to increase attraction of people (tourists implied) to the area and to promote the beach.

- City officials were very positive about the possibility for increased tourism in the area and mentioned several current projects related to tourism activities.

METHODS

This chapter presents the methodological approach taken in this project. A summary and explanation of the overall approach is followed by a detailed explanation of three phases of data collection. **This data collection informs the development of a set of economic development recommendations for the City of Guadalupe.** At the end of the chapter, the limitations of this method and obstacles related to data collection are discussed.

Mixed-Methods Research

A mixed method approach, including review of secondary sources and interviews were employed to gain insight into the functioning of rural development programs. Secondary sources included academic and trade publications, program information provided by economic developing agencies (both websites and brochures) and US Census and other public data. Short interviews with economic development program coordinators were used to elaborate definitions that were lacking in the literature and provide examples of program implementation. Interviews with Guadalupe stakeholders from were used to confirm and contextualize information gathered from secondary sources about the economic setting in Guadalupe. Finally, in-depth interviews with informants from three case study agencies were used to evaluate program success. These methods informed the creation of context appropriate recommendations for Guadalupe.

In-depth analysis of a few implementation programs is preferable due to the fact that the success of these programs is highly related to their community context. This method is supported by Yin (2009) who states that cases studies can be used to understand the structure of the economy for a given area.

The aim of this study is not only to understand the economy, but the interaction between the economy and community factors. “The distinctive need for case studies arises out of the desire to understand complex social phenomena. [This method of study] allows investigators to retain the holistic

and meaningful characteristics of real-life events” (Yin, 2009, p. 4). **An anecdotal understanding of how programs achieve successes with their program participants and maintain important partnerships with other agencies will be a powerful tool to use when crafting an approach that will be effective for Guadalupe.**

Overview

Data collection is broken into three phases: initial interviews, Guadalupe interviews, and in-depth case studies. In February, nine initial interviews were conducted with program staff at existing economic development agencies to provide information about economic development programs currently being implemented in rural California. In March, eight interviews with Guadalupe business owners and two interviews with City officials were conducted to provide qualitative information on the economic setting in Guadalupe and supplement available secondary source data. Information from secondary sources and the first two phases of data collection was then used to identify communities that merited an in-depth analysis. In April, case studies of three economic development agencies were conducted to provide a contextualized understanding of program success (i.e. job creation). This included in-depth interviews with five informants from three agencies and short interviews with two participants of one of the programs.

Phase One Data Collection: Initial Interviews with Economic Development Program Staff

Research goals for Phase one of data collection were:

- 1. Gain an exploratory understanding of the business retention and expansion and enterprise development strategy implementation in rural California.**
- 2. Gain an initial understanding of logistics of long-term economic development programs such as organizational structure, funding sources and number of staff required for program implementation.**

3. Identify retention, expansion and entrepreneurship programs for further investigation based evidence of job creation or characteristics of efficacy described in the literature.

Description of method

Following a review of the literature, a set of interview questions were created and an initial exploration of existing programs was conducted to determine what economic development approaches are currently in practice in rural areas of California. **Nine short phone interviews were conducted with informants from different economic development agencies.** This first assessment focused on understanding the basic structure of existing retention, expansion and entrepreneurship programs.

Programs were identified for contact by reviewing their available resource material, usually a website. To find these program websites, some general search terms were used such as 'rural development, CA.' Additionally, internet searches for specific economic development programs were conducted based on mention in academic or trade journals. After these search methods were exhausted and a variety of programs had been identified, programs were selected for interview based on the criteria discussed below. During this first phase of interviews informants were also asked to identify any other programs for possible investigation. This resulted in one additional program being identified and added to the list for potential data collection.

Criteria for selection of programs

As established in the literature review, three characteristics of rural settings are low population densities, geographic isolation and economies based in natural resources extraction (Flora et al. 2003 and Lyons, 2000). It was desirable to choose programs that served communities similar to Guadalupe in these three characteristics in order to provide the greatest applicability to their unique setting. Though there were communities outside of California with similar characteristics, the search was limited to other rural California communities in order to control for possible state-wide obstacles or advantages.

California jurisdictions were assessed based on the three setting characteristics for similarity with Guadalupe.

Population density. While many larger cities have their own economic development department, only one program encountered was run by a city that resembled Guadalupe at all in size and composition. This was the City of Greenfield, which was included in phase one interviews. Most agencies interviewed were either a department of County Government or were set up as a non-profit organization. **At the 2010 Census, the population of Guadalupe was 7,080. For that reason, programs serving populations of between 5,000 and 10,000 were included.** Some programs serve urban communities in addition to serving rural communities, which is why the other two measures were important for identification of rural areas.

Geographic isolation. A measure of isolation was created using Guadalupe for comparison. Guadalupe business owners and officials identified the town as isolated from prospective customers though it is only about 12 miles from Highway 101 and eight miles from the City of Santa Maria. **For the purpose of this study, communities 12 or more miles from US and Interstate Highways were identified as appropriate for initial review.**

Economic base. Economic base was judged based on the proportion of jobs in natural resources extraction. The US Census category that includes agriculture, forestry and fishing was used to measure the economic base of each county. Programs serving counties with a proportion higher than the state average (2.0%) were included. **The proportion of employment in agriculture in Guadalupe was very high (25.3%). Since the proportion for Santa Barbara County was much lower (7.0%), the state average was used as a rubric so as not to exclude jurisdictions with a similar setting.**

Table 3.1 shows the programs included in phase one and what jurisdictions they serve. The table also displays the criteria for selection. All programs met all the criteria. **Since the criteria were somewhat broad for phase one, any programs not meeting all three characteristics were excluded.**

Table 3.1. Criteria for selection of Phase One programs

Program	Jurisdiction	Serve Communities 5,000-10,000	Serve Communities 10+ Miles from Major Highway	> 2.0% Jobs Agriculture/ Forestry
Central Coast Rural Development Corporation	Monterey, Santa Cruz, San Benito, South Santa Clara, San Luis Obispo, Santa Barbara and Ventura Counties	X	X	X
City of Greenfield Economic Development Department	Greenfield City	X	X	X
El Pajaro Community Development Corporation-Serving Santa Cruz, Monterey & San Benito Counties	Santa Cruz, San Benito and Monterey Counties	X	X	X
Fresno County Economic Development Corporation	Fresno County	X	X	X
Humboldt County Economic Development Department	Humboldt County	X	X	X
Tulare County Work for Investment Board	Tulare County	X	X	X
Tulare Economic Development Corporation	Tulare County	X	X	X
Tuolumne County Economic Development Department	Tuolumne County	X	X	X
Yolo County Economic Development Department	Yolo County	X	X	X

A secondary goal of the first round of interviews was to gain an understanding of the variety of rural development programs that currently exist in California. For this reason, programs from both the public and private sectors were selected, representing a variety of rural economic development strategies.

The search of the relevant literature clearly indicated that recruitment is not a successful strategy for creating long-term wealth in communities and that it has a poor return on investment.

Additionally, Guadalupe officials indicated their interest in retention and expansion strategies over recruitment strategy. **For these reasons, programs that focused solely on recruitment strategy were excluded.** Still, an exploratory understanding of all three rural economic development strategies currently being utilized in California was gained in phase one of the research because some programs included in the initial round of interviews utilized recruitment as well as retention/expansion approaches.

Questions

Questions for Phase One interviews were aimed at gaining an understanding of economic development implementation programs currently being implemented in rural California and assessing programs for further investigation based on their perceived level of success and similarities with Guadalupe. Efforts were also made to prepare for possible follow up interviews and to gather more information about each agency.

Table 3.2 demonstrates the correspondence of research goals for phase one and questions used for interviews in this phase of data collection.

Table 3.2. Correspondence of Phase One Questions and Research Goals

Research Goal	Phase One Interview Question
Gain an exploratory understanding of the business retention and expansion and enterprise development strategy implementation in rural California.	1. What economic development programs are you currently implementing? Please describe them.
Gain an initial understanding of logistics of long-term economic development programs such as organizational structure, funding sources and number of staff required for program implementation.	2. Does your agency have a strategic planning document I can look at?

Research Goal	Phase One Interview Question
Identify retention, expansion and entrepreneurship programs for further investigation based evidence of job creation or characteristics of efficacy described in the literature.	3. What obstacles have you encountered implementing your programs? How have you responded to these obstacles?
Identification of future interviewees	4. Are you the appropriate person for me to contact with follow up questions? Is there anyone else you think I should talk to?

Phase Two Data Collection: Interviews with Guadalupe Business Owners and City Officials

Research goals for phase two of data collection were:

1. **Provide qualitative information to compliment quantitative analysis on the setting in Guadalupe.**
2. **Gather information about community strengths, weaknesses, opportunities and constraints. Particularly identify any constraints to Guadalupe businesses.**
3. **Gauge business owner knowledge of available programs and interest in various economic development program services.**
4. **In combination with phase one findings, develop criteria for selection of in-depth case studies.**

Description of method

In order to identify strengths, weaknesses, opportunities and constraints in Guadalupe, short interviews with business owners and city officials were conducted. Questions were designed to gather information related to past economic development programs, community opinions on the types of economic development programs that might be successful and community opportunities and constraints. **Eight short interviews were conducted with business owners; six were in-person at their place of business and two were telephone interviews.** The interviews with city officials were of a more informal nature. **Relatively unstructured conversations were held with the City Manager, Mayor and Finance Director focused primarily on the city's history with economic development programs.**

Criteria for selection

As mentioned in the setting chapter, phase two interviews were conducted with Guadalupe business owners or company leaders and City officials. A total of eight interviews were conducted with business owners and company presidents in Guadalupe. They represented a total of nine businesses due to the fact that one person owns two businesses. Six of the eight interviewees were business owners, one was a manager and one was a company president. Three City officials were interviewed: the City Administrator, the Finance Director and the Mayor.

Businesses were selected from a list of 78 businesses obtained from Guadalupe building inspectors. This list was used rather than the complete list of 335 business licenses because more information was available on the 78 businesses up for inspection. With assistance from City staff, the type of each business was identified and placed into categories accordingly. The categories were: other services, retail, food service, agriculture related businesses, construction/manufacturing, and entertainment. Businesses known to be not-for-profit or social service-related were eliminated from the list. This accounted for 12 of the businesses. The number of businesses (excluding social services) in each category is shown in table 3.3.

Table 3.3. Guadalupe businesses organized by type

Type of Business	Number of Businesses
Other Services	19
Retail	17
Food Service	17
Agriculture related	7
Construction/Manufacturing	5
Entertainment	1

Businesses were chosen from the top five categories. Two businesses were chosen from other services, retail and food service. One interviewee each was chosen from agriculture related businesses and construction/manufacturing businesses. Owners or top executives for manufacturing and

agricultural related sectors were less accessible as businesses in those sectors were larger and less open to the public. Following repeated attempts and continuing inability to talk with or interview a manufacturing industry contact, a third food service business owner was substituted to achieve the eight total interviews.

Selection of three City officials to interview- the City Administrator, Finance Director and Mayor- was based on their having long-term knowledge of the City and past economic development projects.

The current City Administrator has been with the City for a little over a year and has experience with economic development. The Finance Director was the previous City Manager and has a long history with the City as does the Mayor. The Mayor is also a local business owner.

Questions

The goals for phase two were to provide qualitative information to compliment quantitative analysis on the setting in Guadalupe gather information about community strengths, weaknesses, opportunities and constraints and to gauge business owner knowledge of available programs. Table 3.4 demonstrates the correspondence between research goals and interview questions used in phase two.

Table 3.4. Correspondence of phase two research goals and interview questions

Research Goal	Interview Question
Provide qualitative information to compliment quantitative analysis on the setting in Guadalupe.	1. How long have you been in business here? Have you ever had a business in another City?
	2. Approximately how many employees do you have?
	3. What obstacles to business do you see or have you experienced here?
Gather information about community strengths, weaknesses, opportunities and constraints. Particularly identify any constraints to Guadalupe businesses.	4. What kinds of things do you buy in Guadalupe either for your business or for personal use?
	5. What types of thing do you buy in other Cities?
	6. What City do you live in?

Research Goal	Interview Question
Gauge business owner knowledge of available programs and interest in various economic development program services.	[Description of small business assistance program]
	7. Have you ever participated in something like that here? If so, could you describe it? If no, is this something you would be interested in?
	[Description of business retention/expansion programs]
	8. Have you ever participated in something like that here? If so, could you describe it? If no, is that something you think would be useful to you?
	[Description of industry cluster programs]
	9. Have you ever participated in something like that here? If so, could you describe it? If no, is that something you think would be useful to you?
	Are there any business assistance programs here that you know of? Have you used any of these? How important was this assistance to your business?

Informal interviews with City officials were conducted in order to identify other opportunities and constraints for development in Guadalupe. The City Administrator, Finance Director and Mayor were asked about (1) past economic development efforts and (2) what they thought might be successful in Guadalupe.

Phase Three Data Collection: Case Studies of Three Economic Development Agencies

Research goals for phase three of data collection were:

1. Identify whether or not case study programs are achieving job creation.
2. Identify whether or not case study programs display characteristics associated with program efficacy identified in the background research:

3. Identify program participant characteristics such as level of education and type of business.
4. Gather information about case study program logistics such as key collaborating agencies, organizational structure, funding sources and staffing needs.

Description of method

Once Phase Two was complete, the findings from the first two phases of research were used to develop criteria for case study selection. Major research questions were operationalized to create a set of in-depth interview questions for Phase Three interviews. Interviews were then set up with two of the programs with which initial contact had been made during Phase One. **Two agencies, Fresno Economic Development Corporation and El Pajaro Community Development Corporation, were chosen for investigation. The opportunity to study an additional agency, the Central Valley Business Incubator, in one of the case study communities presented itself and was taken advantage of. Two of the three agencies implement multiple programs so in total, five implementation programs were studied including: a business retention/expansion program, a cluster program, two small business assistance programs and two business incubators.**

A primary goal for this phase of data collection was to understand if the selected programs were successful at achieving job creation. Quantitative and qualitative measures of jobs creation were requested in order to assess program success. **For each program attempts were made to interview participants as well as program coordinators.** Separate interview instruments were developed for economic development program coordinators and business owners. Unfortunately, it was only possible to interview program participants from one of the three programs studied due to regulations and concerns about confidentiality. Having more programs to compare turned out to be very important for the development of overall recommendations since triangulation, via participant interviews was not possible.

Criteria for selection

A number of factors, explained further in the following subsections, were considered when choosing programs and case study communities for further investigation. First, as mentioned in the background research chapter, programs that showed evidence of significant coordination with other economic development agencies were given priority. Next, greater consideration for inclusion was given to communities that more closely approximated the setting in Guadalupe with regard to location characteristics, demographics and economic setting. Additional demographic comparisons (beyond population, geographic isolation and economic base) were made at this juncture which included median income and ethnic composition. The degree to which each area was dominated by natural resource extraction employment was also re-examined with a higher degree of scrutiny. Lastly, consideration was given to the type of programs that were being implemented (and could be studied) by each agency. Specifically, because industry cluster programs are described in current literature as holding great promise for rural areas (Drabenstott, 2004), studying them was a priority.

Agency coordination. The importance of inter-agency cooperation was highlighted in the literature (Lyons, 2000) and confirmed in initial findings from phase one short interviews. For this reason, **it was deemed that no programs would be included that did not mention working closely with other support agencies.** As previously discussed in the background research chapter, regional cooperation between economic development agencies is critical to overcoming the obstacle of low population density. Lyons (2000) indicates that one implementation program will not be successful at achieving economic gains alone; there must be intra-program coordination in order to sufficiently fulfill the needs of rural entrepreneurs. Agencies that emphasized the importance of coordination with other agencies (six out of nine) were, therefore, selected for further consideration.

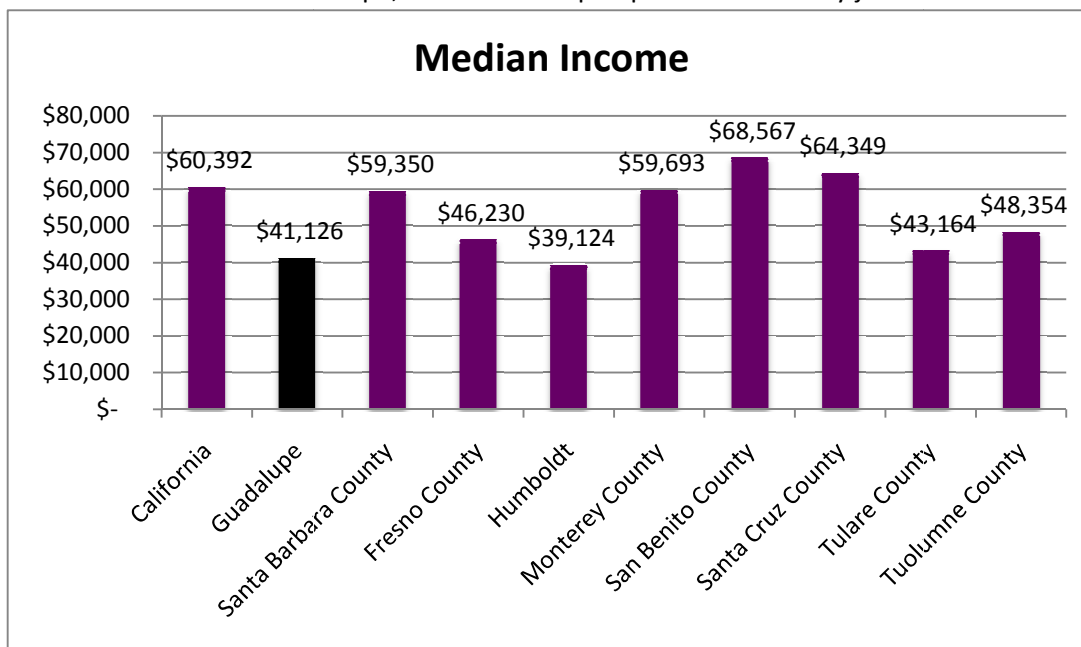
Table 3.5. Programs meeting criterion for agency coordination

Program	Jurisdiction	Agency Coordination
Central Coast Rural Development Corporation	Monterey, Santa Cruz, San Benito, South Santa Clara, San Luis Obispo, Santa Barbara and Ventura Counties	
City of Greenfield Economic Development Department	Greenfield City	
El Pajaro Community Development Corporation-Serving Santa Cruz, Monterey & San Benito Counties	Santa Cruz, San Benito and Monterey Counties	x
Fresno County Economic Development Corporation	Fresno County	x
Humboldt County Economic Development Department	Humboldt County	x
Tulare County Work for Investment Board	Tulare County	x
Tulare Economic Development Corporation	Tulare County	x
Tuolumne County Economic Development Department	Tuolumne County	x
Yolo County Economic Development Department	Yolo County	

Demographic and economic comparisons. Further analysis of potential comparison program settings were made in order to approximate Guadalupe's setting as closely as possible on measures of median income, ethnic composition and economic base. To that end, Census data regarding the areas served by the five remaining programs was gathered and analyzed. Because programs are county based, it was necessary to account for the fact that comparisons were being drawn between a city and several county jurisdictions. This led to the inclusion of information for Santa Barbara County even though Guadalupe differs drastically from Santa Barbara County in almost all measures.

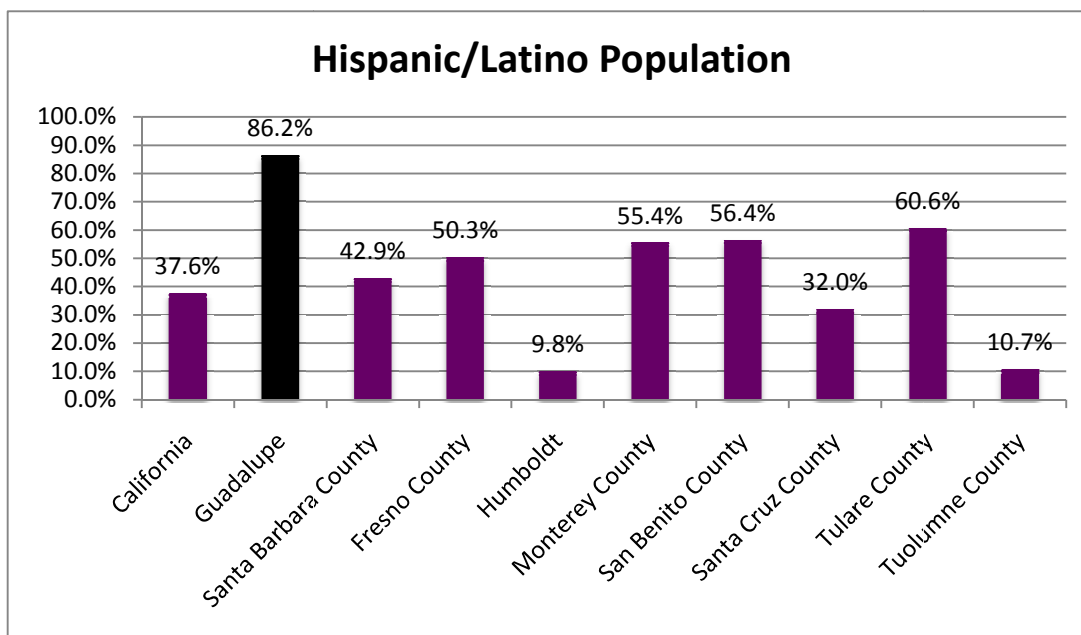
The following figures show comparisons of median income, proportion of Hispanic or Latino population and proportion of residents employed in agriculture. Guadalupe is shown in black.

Figure 3.1. Median income for Guadalupe, California and prospective case study jurisdictions



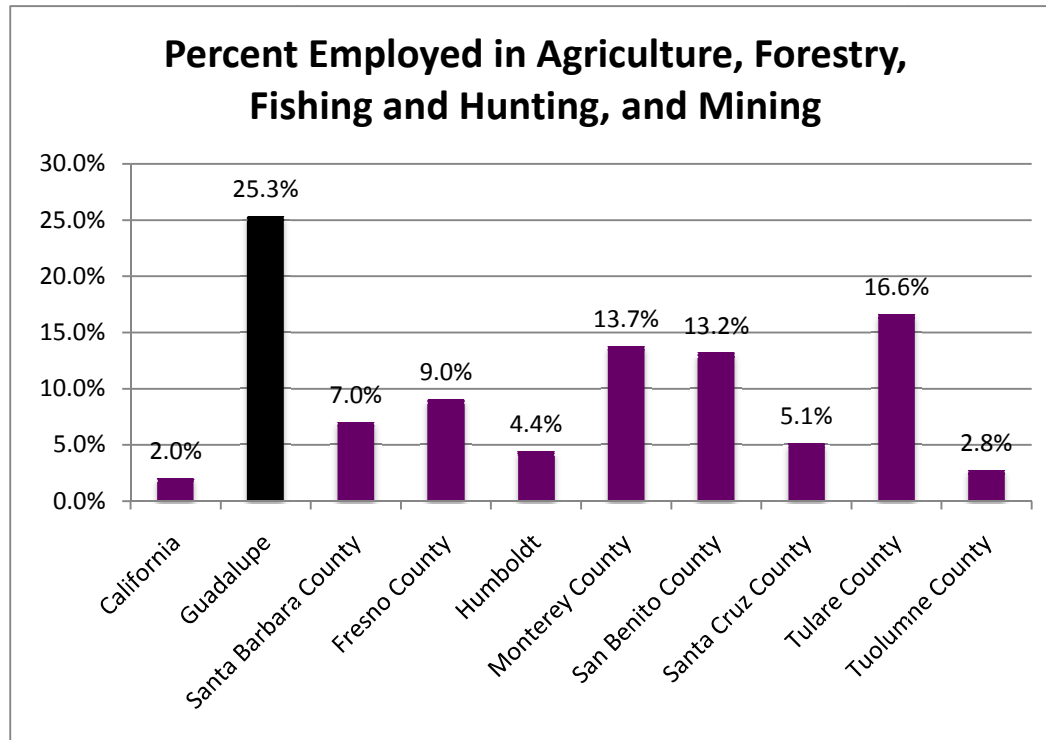
Source: US Census Bureau; 2009 American Community Survey Estimates, S1903; generated by Larissa Heeren; using American Fact Finder (May 11, 2011).

Figure 3.2. Hispanic or Latino population as percent for Guadalupe, California and prospective case study jurisdictions



Source: US Census Bureau; 2010 Census of Population and Housing, QT-PL; generated by Larissa Heeren; using American Fact Finder (May 11, 2011).

Figure 3.3. Employment in agriculture, forestry, fishing and hunting and mining as a percent of total civilian employment for Guadalupe, California and prospective case study jurisdictions



Source: US Census Bureau; 2009 American Community Survey Estimates, S2405; generated by Larissa Heeren; using American Fact Finder (May 11, 2011).

For median income, Fresno, Humboldt, Tulare and Tuolumne counties came closest to the Guadalupe median income, which was \$41,126. None of the jurisdictions had a similar proportion of Hispanic/Latino residents; Guadalupe's proportion was inordinately high at 86.2%. Fresno, Monterey, San Benito and Tulare came the closest. These counties did have Hispanic/Latino population proportions similar to the Santa Barbara countywide proportion, which indicates these counties may also have communities with large Hispanic/Latino populations. In the economic base comparison, Guadalupe also showed a proportion of employment in agriculture much higher than any of the countywide statistics while Santa Barbara County had a relatively low proportion of employment in agriculture. The counties that had the largest proportions of employment in agriculture were Fresno, Monterey, San Benito and Tulare. **Overall Fresno, Monterey, San Benito and Tulare counties were deemed most similar to**

Guadalupe, Tulare County being the most similar. The decision was narrowed to these four jurisdictions for final case study selection.

Program type. Cluster programs were widely touted in current literature on rural economic development (Drabenstott, 2004 and Porter, 1990). Since this type of program is relatively new and unexplored, it was deemed important for further study. As such the inclusion of cluster programs was used to choose the final two programs to be analyzed in-depth. There were only two jurisdictions that had established cluster programs in the group: Fresno County and Monterey County. Because Fresno and Monterey Counties were similar to Guadalupe in demographic measures shown above, these two counties were chosen so that the cluster programs could be examined.

Questions

The following table shows the correspondence of phase three research goals and interview questions.

Table 3.6. Correspondence of Phase Three Program Coordinator Questions and Research Goals

Research questions	Program Coordinator Interview questions
What are successful rural economic development strategies?	How do think your program differs from approaches taken in more urban areas?
	How are you evaluating the success of your program/outcomes? How?
	Are efforts made to connect past and current program participants?
	What kind training or new skills do you provide to participants?
How do programs address challenges associated with the rural	Are they explicitly building relationships between business owners?
	What kind of relationship do you have with local governments and other economic development agencies?
	How are relationships created and maintained?

context?	Has the program brought new sources of financial capital into the community?
	Does your program help with product development?
	Do you inform participants about recent advances in technology that would help their business?
	Have participants' attitudes changed as a result of participating in the program? How?
	Is there a structured decision making process that helps with economic development decisions?
	How many part-time and full time staff work on this program?
	What are the funding sources for the program?
	How are services delivered to clients?
	How are program services advertized?
	Are services available to non-English speaking clients?
What are the logistics of program administration?	What is the role of the chamber of commerce?

Table 3.7. Correspondence of Phase Three Business Owner Questions and Research Goals

Research questions	Interview questions
What are successful rural economic development strategies?	Approximately how many employees do you have?
	Have you benefited from local business assistance programs? Which one and how?
	Have your profits increased?
	Have you hired new employees?
How do programs address challenges associated with the rural context?	Do you have contact with other local business owners? In what settings or for what purpose? Casual or formal?
	Did you meet other business owners as a result of participating in the program? Please describe how specifically you met them.
	Are you involved in local politics at all?

What are the
logistics of
program
administration?

Where do you usually get new ideas for your business?

What obstacles do you or other business owners face to making a profit? How do you overcome those obstacles?

How did you initially find out about the program?

What type of business is it?

How many years have you been in business here?

Have you ever had a business in another City?

Criteria for Assessing Programs

All of the programs chosen have demonstrated inter-agency coordination. A better understanding of how this is achieved is desirable. It is hoped that this study can provide a more contextualized understanding of how personal connections are created and maintained and what benefits they provide. Besides gaining an exploratory of the programs and how they function, it was important to evaluate them with respect to their value for Guadalupe. Measures were created based on the review of literature. Additional measures will come from an analysis of the setting in Guadalupe. Criteria derived from the literature are as follows:

Economic development ends. Did the program create jobs or wealth? Did they mobilize local resources to do so? Was the process self-sustaining in that benefits provided to program participants would be shared with others by the participant themselves?

Confrontation of rural obstacles. Low population density, lack of access to new ideas, services and capital, local attitudes and politics were all listed as obstacles to rural economic development. A goal of the project was to understand who program specifically address these issues. **A list of characteristics associated with program efficacy was drawn from the background research and used for further (beyond job creation) assessment of economic development programs. These characteristics are: fostering personal relationships, coordinating with other agencies on regional economic development,**

providing a structured forum for economic development decisions, facilitating financial investment in the community, encouraging innovation, creativity or new technologies and providing new skills to participants.

Assessment of Methodological Approach

Yin (2009) lists four tests commonly used to evaluate the quality of social research and describes how they may be used to evaluate case study research. These tests are construct validity, internal validity, external validity and reliability. Each of these will be discussed below with regard to this project.

Construct validity is the ability to properly operationalize social phenomena being studied. Definitions of economic development were compared to identify what might be the most appropriate measure for economic development success. **It was found not only that job creation was common in several definitions (Blakely and Bradshaw, 2002; Lyons and Hamlin, 2001), but also that others had used job creation as a measure for economic development achievements in previous studies (Crowe, 2006).** Respondents were also given the opportunity to identify their own success when asked the open-ended question, 'What do you think the main benefits of the program are?' Responses indicated that interviewees saw job creation as a program goal though they also identified other indicators of success.

Internal validity is the ability to establish a causal relationship between variables (Yin, 2009). This is a major challenge for social research. A goal of this study was to measure whether or not economic development programs were achieving job creation, i.e. had they caused job creation? **A major obstacle for researchers and economic development practitioners alike is that, even when anecdotes or statistics of jobs created are documented, it is not possible to claim that the job creation was 'caused' by the program.** There are too many other variables that have an effect on these occurrences. Additionally, even though a program may be taking exactly the right steps for job creation, outside factors--such as economic recession--may lessen or negate program effects. **The case study method,**

because it provides more contextualized information about individual successes, can be very helpful in establishing links between program actions and job creation.

External validity, also referred to as generalizability, is the extent to which the study's findings can be generalized to other settings (Yin, 2009). **For this study, the goal was limited to finding strategies that would be applicable to Guadalupe.** To that end, a review of relevant literature on challenges to rural development was conducted, a thorough investigation of the Guadalupe context was performed and information was gathered about the case-study community contexts. **The ability to gather both secondary source data and qualitative information on the settings of the communities involved in this project was a key advantage of the case study method.**

Reliability involves accurate documentation of research procedures i.e. could the results be reproduced by another researcher following your description of procedures (Yin, 2009). The methods used in this study are described earlier in this chapter. **The description is sufficiently detailed that another researcher could replicate the study and achieve similar results.**

A major challenge to establishing program success in terms of job creation was in the fact that the program coordinators were unable or unwilling to provide quantified measures of their program results. When these results were available they were not comparable to each other. Anecdotal evidence was widely available, however this posed challenges as well. Since it would be invalid to depend solely on the assessments of program coordinators for evidence of program success, attempts were made to interview program participants for verification. It was necessary to ask for contact information from program coordinators due to time constraints. This poses a sampling problem since the selection is not random and program coordinators are more likely to choose someone who had a good experience with the program. In addition to the sampling issues, access to program participants was denied in most cases, with the exception of El Pajaro Community Development Corporation.

Other studies of economic development programs have been conducted based solely on responses from program coordinators about program success, due to the difficulty of using existing employment data to accurately gauge the effects of programs while controlling for other variables (Loveridge and Smith, 1992). However it has been acknowledged that better research is needed. Kettles (2004) states that “there is no detailed understanding of the evolution of rural development policy; aside from case studies, there is little comprehensive evidence on regional, state, and local rural initiatives” (p.8). Possible solutions to this problem are discussed in the Findings Chapter.

Key Points from Methods

This chapter presents the methodological approach taken in this project. Data collection is broken into three phases: initial interviews, Guadalupe interviews, and in-depth case studies.

Phase One Data Collection: Initial Interviews with Economic Development Program Staff

Research goals for Phase one of data collection were:

1. Gain an exploratory understanding of the business retention and expansion and enterprise development strategy implementation in rural California.
2. Gain an initial understanding of logistics of long-term economic development programs such as organizational structure, funding sources and number of staff required for program implementation.
3. Identify retention, expansion and entrepreneurship programs for further investigation-based evidence of job creation or characteristics of efficacy described in the literature.

Nine short phone interviews were conducted with informants from different economic development agencies.

Criteria for Selection

- The search of the relevant literature clearly indicated that recruitment is not a successful strategy for creating long-term wealth in communities and that it has a poor return on investment. For these reasons, programs that focused solely on recruitment strategy were excluded.
- At the 2010 Census, the population of Guadalupe was 7,080. For that reason, programs serving populations of between 5,000 and 10,000 were included.
- Geographic isolation. A measure of isolation was created using Guadalupe for comparison.
- For the purpose of this study, communities 12 or more miles from US and Interstate Highways were identified as appropriate for initial review.
- The proportion of employment in agriculture in Guadalupe was very high (25.3%). Since the proportion for Santa Barbara County was much lower (7.0%), the state average was used as a rubric so as not to exclude jurisdictions with a similar setting.
- Since the criteria were somewhat broad for phase one, any programs not meeting all three characteristics were excluded.

Questions for Phase One interviews were aimed at gaining an understanding of economic development implementation programs currently being implemented in rural California and assessing programs for further investigation based on their perceived level of success and similarities with Guadalupe.

Phase Two Data Collection: Interviews with Guadalupe Business Owners and City Officials

Research goals for phase two of data collection were:

1. Provide qualitative information to compliment quantitative analysis on the setting in Guadalupe.
2. Gather information about community strengths, weaknesses, opportunities and constraints. Particularly identify any constraints to Guadalupe businesses.
3. Gauge business owner knowledge of available programs and interest in various economic development program services.
4. In combination with phase one findings, develop criteria for selection of in-depth case studies.

Eight short interviews were conducted with business owners; six were in-person at their place of business and two were telephone interviews. Relatively unstructured conversations were held with the City Manager, Mayor and Finance Director focused primarily on the city's history with economic development programs.

Criteria for Selection

- Businesses were selected from a list of 78 businesses obtained from Guadalupe building inspectors. This list was used rather than the complete list of 335 business licenses because more information was available on the 78 businesses up for inspection.
- Selection of three City officials to interview- the City Administrator, Finance Director and Mayor- was based on their having long-term knowledge of the City and past economic development projects

Phase Three Data Collection: Case Studies of Three Economic Development Agencies

Research goals for phase three of data collection were:

1. Identify whether or not case study programs are achieving job creation.
2. Identify whether or not case study programs display characteristics associated with program efficacy identified in the background research:
3. Identify program participant characteristics such as level of education and type of business.
4. Gather information about case study program logistics such as key collaborating agencies, organizational structure, funding sources and staffing needs.

Once Phase Two was complete, the findings from the first two phases of research were used to develop criteria for case study selection. Major research questions were operationalized to create a set of in-depth interview questions for Phase Three interviews.

- Two agencies, Fresno Economic Development Corporation and El Pajaro Community Development Corporation, were chosen for investigation. The opportunity to study an additional agency, the Central Valley Business Incubator, in one of the case study communities presented itself and was taken advantage of.
- Two of the three agencies implement multiple programs so in total, five implementation programs were studied including: a business retention/expansion program, a cluster program, two small business assistance programs and two business

incubators. For each program attempts were made to interview participants as well as program coordinators

Criteria for Selection

Further analysis of potential comparison program settings were made in order to approximate Guadalupe's setting as closely as possible. This analysis was only performed on programs that had already demonstrated coordination with other agencies due to the fact that background research and initial findings indicated this was of high importance for program efficacy. Characteristics analyzed are as follows:

- Median income
- Ethnic composition
- Economic base.

Overall Fresno, Monterey, San Benito and Tulare counties were deemed most similar to Guadalupe, Tulare County being the most similar based on median income, ethnic composition and economic base. The decision was narrowed to these four jurisdictions for final case study selection.

Program type was also considered. Cluster programs were widely touted in current literature on rural economic development (Drabenstott, 2004 and Porter, 1990). Since this type of program is relatively new and unexplored, it was deemed important for further study.

Criteria for Assessment

- Economic development ends: Did the program create jobs or wealth? Did they mobilize local resources to do so?
- Characteristics of efficacy: fostering personal relationships, coordinating with other agencies on regional economic development, providing a structured forum for economic development decisions, facilitating financial investment in the community, encouraging innovation, creativity or new technologies and providing new skills to participants.

Assessment of Methodological Approach

- Construct validity: It was found not only that job creation was common in several definitions (Blakely and Bradshaw and Lyons and Hamlin, 2001), but also that others had used job creation as a measure for economic development achievements in previous studies (Crowe, 2006).
- Internal validity: A major obstacle for researchers and economic development practitioners alike is that, even when anecdotes or statistics of jobs created are documented, it is not possible to claim that the job creation was 'caused' by the program.
- External validity: The case study method, because it provides more contextualized information about individual successes, can be very helpful in establishing links between program actions and job creation.
- Reliability: For this study, the goal was limited to finding strategies that would be applicable to Guadalupe. The ability to gather both secondary source data and qualitative information on the settings of the communities involved in this project was a key advantage of the case study method. The description is sufficiently detailed that another researcher could replicate the study and achieve similar results.
- Other challenges: A major challenge to establishing program success in terms of job

creation was in the fact that the program coordinators were unable or unwilling to provide quantified measures of their program results.

FINDINGS

This chapter will present findings from in-depth case study research conducted in phase three of data collection for this project. Findings from phase one are integrated into the background research and findings from phase two are integrated with the setting chapter. The major portion of data collection involved extended interviews with program coordinators of the three selected agencies; the one supplemental source of information was from short interviews with economic development program participants from the small business assistance /incubator program. **All three programs are assessed in terms of the degree of their success at achieving economic development as defined in this project i.e. job creation and what characteristics of efficacy related to rural development they were able to display.** The chapter concludes with a summary of major findings and suggestions for further research.

Case Studies

During phase three of data collection, in-depth interviews were conducted with program coordinators from three economic development agencies: Fresno Economic Development Corporation, Central Valley Business Incubator and El Pajaro Community Development Corporation. Of these three agencies, the first two implement multiple programs, so, in total, five implementation programs were studied. These retention and expansion programs studied included a business visitation program called BEAR Action Network and an industry cluster program called the Regional Jobs Initiative Industry Cluster Program (both under the FEDC). Enterprise development implementation programs studied included the Water Energy and Technology Business Incubator, a Small Business Development Center (both under the CVBI), and El Pajaro's combined business assistance and incubator program. Research goals for in-depth case studies were:

1. Identify whether or not case study programs are achieving job creation.

2. Identify whether or not case study programs display characteristics associated with program efficacy identified in the background research: fostering personal relationships, coordinating with other agencies on regional economic development, providing a structured forum for economic development decisions, facilitating financial investment in the community, encouraging innovation, creativity or new technologies, and providing new skills to participants.
3. Identify program participant characteristics, such as level of education and type of business.
4. Gather information about case study program logistics such as key collaborating agencies, organizational structure, funding sources and staffing needs.

Information on program logistics is presented first, followed by an analysis of each of the five different implementation programs. Since quantitative measures of jobs creation were largely unavailable, anecdotal evidence was accepted instead. Some additional insight was gained from program participant interviews. Program analyses are followed by a summary of major findings from all programs.

Program Logistics

In order to accurately assess whether similar programs could be implemented in Guadalupe, it was important to understand the staffing and funding requirements for each program studied. These logistical considerations are summarized in Table 4.1.

The Fresno Economic Development Corporation administers the BEAR Action Network Program, staffed by three full-time employees, which assists in the facilitation of two industry clusters, which together require only one part-time staff person. This agency has ten staff in total and is funded through fees collected from local governments and some grants.

The Central Valley Business Incubator, staffed by one part-time employee, implements the Water Energy and Technology Incubator program, which was originally built with funds from a Federal Economic Development Administration grant. Most current funding comes from partner agencies

especially the Center for Water Technology. This agency also administers a Small Business Development Center, which requires two full time staff and 18 consultants and is funded through the Small Business Administration. Altogether, this agency has six full time staff.

El Pajaro Community Development Corporation administers a small business assistance program and a retail business incubator program and has three full time staff and three consultants. Their funding comes from private foundations and grants.

Table 4.1-Program logistics including number of staff employed and sources of funding.

Program Name	Program Type	Number of Staff	Funding Sources
Fresno Economic Development Corporation	BEAR Action Network: Retention and expansion program.	Ten staff total for the organization. Three full time staff for BEAR Action Network.	Mostly membership fees from local governments. Also some grants.
Fresno Economic Development Corporation	Regional Jobs Initiative: Cluster program.	Ten staff total for the organization. One part time staff acts as support for two clusters. Other agencies support other clusters.	The cluster program is almost completely based on pooled resources from participating businesses.
Central Valley Business Incubator	Water and Energy Technology (WET) business incubator.	The incubator has one full time and one part time staff. The organization has six full time staff.	The WET is a joint effort with Fresno State and the International Center for Water Technology. They received a grant to build the facility.
Central Valley Business Incubator	Small Business Development Center	The SBDC has two full time staff and 18 consultants. The organization has six full time staff.	The SBDC program received Small Business Administration funding, Federal Jobs Bill funding, State stimulus money and other grants.
El Pajaro Community Development Corporation	Small business assistance program with business incubator program.	The program has three full time staff and three consultants.	Their program is funded mostly through private foundations; they also receive USDA and similar grants.

Fresno Economic Development Corporation

The Fresno EDC serves all of Fresno County, including the City of Fresno, which has a population of 494,665 (US Census, 2010). Questions were focused on the rural areas that they serve, specifically, six rural communities in eastern Fresno County and seven in the west of the County. As mentioned above, **this agency implements a business expansion and retention program called the BEAR Action network (Business Expansion and Retention) and they facilitate two industry clusters:** The Clean Energy Cluster and the Logistics and Distribution Cluster which refers to the transportation, storage, and allocation of products. While this organization does not have the lead role in the Regional Jobs Initiative cluster program, they were able to provide information about the program as they have had a supporting role in the program since its inception. Interviews were conducted with the program coordinator of the BEAR Action Network and the staff member who manages two of dozen industry clusters.

BEAR Action Network

Originally the Fresno EDC grew out of the local Chamber of Commerce, with a goal of attracting outside firms to the area. The BEAR Action Network was created later when the EDC staff began to ask themselves what they were doing for existing businesses. The individual who started the BEAR program had been a director of a Workforce Investment Board in the past. These are federally-funded job training and placement programs so the initial program philosophy grew out of past experiences with contacting employers to place employees.

The BEAR Action Network acts mainly as a referral system for other ‘service providers,’ described in the background research chapter as partner agencies, which provide a variety of different services to businesses. As a first step, program staff attempts to meet with the business owner or CEO to discuss the services that are available to them. They enter their contact into the Executive Pulse software and a referral is sent to the appropriate service provider. An example of a service is the Employment Training Panel, which provides money for training of current employees who then might be eligible for higher

paying jobs.

Defining the rural context: When asked how the program approach differs in the more rural areas, the informant stated that rural participants have less access to service providers. When asked about the rural communities the agency serves, there was a differentiation between the six rural communities in eastern Fresno County and seven in the west of the County. He said that the communities in the east seem to do better, economically speaking, because they are clustered nearer to one other and also are closer to Highway 99. Communities in the west of the county have “a more difficult time with economic development,” implying that they have higher levels of poverty due to geographic isolation.

When asked about specific obstacles related to rural settings the informant said, “It is an island [The Central Valley]. Federal, state, and corporate attention is on Los Angeles and San Francisco. This gives them more opportunities and more funding. Also demographics.” Though he did not elaborate, other program coordinators did. They pointed to educational levels, language and cultural barriers as important obstacles to development.

Program Benefits: The program coordinator indicated that the main benefits of the program are **(1) facilitating capital investments in the community, (2) keeping businesses going (i.e. business retention) and (3) keeping jobs in the community (i.e., preventing companies from moving out of the area)**. Creating sources of financial capital was discussed in the literature as important to rural development and entrepreneurship. The program does not actually provide sources of financial capital but they increase access to it by facilitating loans. Since the program is focused on retention, there is emphasis on prevention of job loss, but **the informant was also able to provide a specific example of a company hiring additional staff after having received services through the network**. This provides anecdotal evidence of both job creation and company expansion. Quantitatively speaking, the BEAR Action Network publishes the total number of companies contacted and the number of those contacts

that resulted in technical assistance being provided each year. For 2010 these numbers were 5,735 and 1,393, respectively (Fresno EDC, 2010). This represents a “servicing” rate of 24%.

In order to overcome obstacles related to the rural context the informant suggests clearly and effectively identifying community or regional strengths and then marketing these. He also stated that regional partnership is very important, which confirms Drabenstott (2004) on the need for regional coordination of businesses and support agencies. During the course of the interview, the respondent mentioned several different regional partnerships that Fresno EDC participates in. A video on the Fresno EDC website indicated also that an important part of their business attraction strategy was to work together as a region to attract state and federal investment in the area.

Regional jobs initiative industry Cluster Program

The Regional Jobs Initiative was lead by the Office of Community and Economic Development at Fresno State; they continue to have the lead role in the cluster program. Fresno EDC initially received funding to assist the Office of Community and Economic Development organize the clusters. Now that the clusters are established, they are maintained with minimal staff time and funded through pooled resources from participating businesses. There are exceptions to this, however; the clean energy cluster recently received a grant that covers some of their expenses.

The Regional Jobs Initiative Cluster Program of Fresno County is composed of 12 different industry clusters: food processing and agriculture, tourism, water, software development, construction, clean energy, logistics and distribution, information technology, manufacturing, arts and culture, public section and health care. The informant is a cluster manager for two industry clusters: the Clean Energy and Logistics and Distribution clusters. Clusters meet quarterly to discuss their mission and goals and re-adjust these as needed. They also hold networking events and host speakers, who present on industry related topics, such as new legislation related to renewable energy. Cluster managers report to the resource team, which is composed of city managers, Workforce Investment Board staff and other

partner organizations. At these meetings they set additional goals, which are then integrated into the individual cluster goals.

New members are added to the cluster either when the manager asks if they want to be added to the list or through the rural development center. In the clean energy cluster, there are about 100 cluster members but only about 25-30 of them are "really active", according to the informant. In addition to the quarterly meetings, there are monthly or bi-monthly workgroup meetings. These are akin to sub-committees. Something that the clean energy cluster achieved recently was the creation of job training programs at the local schools in the energy field. They were having difficulty finding qualified people for jobs so they developed a curriculum, mentored students in these new programs, and maintained contact with the schools.

Defining the rural context: When asked about obstacles that cluster participants face, she said that clean energy cluster participants have difficulty finding an adequately trained workforce. Also, companies from more rural areas are less likely to participate in the cluster program because they often do not have as many staff, making meeting attendance far away more problematic. This is similar to the profile of business owners in Guadalupe. Several businesses had no employees.

Program Benefits: This program was unable to provide evidence of job creation. When the Regional Jobs Initiative was first funded, there were efforts to quantify the results in terms of total jobs created for grant reporting purposes. The informant said that they no longer do this, since they are no longer compelled to do so for grant reporting purposes. She was unable to provide these older reports. Qualitative successes were, however, described: **"The main program benefit is that when people attend the meetings, they meet and make progress. They see that other people are having similar problems. They get the opportunity to be heard as one voice."** The example of 'progress' she provided was the job-training program implemented by the clean energy cluster. This is a good example of how the program is creating new skills in the community. The comment about 'being heard as one voice' is

particularly interesting because it indicated that clusters are a means of overcoming low population density by setting goals to realize collectively. Moreover, the clusters provide a means for business owners to participate in the political process. **They are ultimately being heard by city managers when the cluster manager reports back to the resource team. This structured means of communicating obstacles faced by the business community may be a very valuable tool for economic development.**

Central Valley Business Incubator

CVBI and the Small Business Development Center merged recently. They provide small business assistance to Kings, Fresno, Madera, and Tulare counties. They run a program called the Water and Energy Technology (WET) Incubator which is an incubator that specializes in high tech companies and products. As mentioned above, Small Business Development Center receives funding from the Small Business Administration and the WET Incubator is almost entirely funded by the Center for Water Technology.

Small Business Development Center

As part of the Small Business Development Center program, general business support services are provided by program staff or by consultants that are hired by the program. Staff does intake interviews and identifies business needs. They may provide some assistance with business basics such as idea feasibility and business plans, or they may assign participants to a consultant. In addition to assisting with business plans, consultants may provide more specialized services such as location of property for the business, assistance with exporting, loan packing or locating venture capital, and assistance in getting special certifications. They have an attorney who helps with patents and an engineer who does some design work; they have Spanish-speaking consultants and are in the process of finding a consultant who speaks Hmong.

Defining the rural context: When asked about the differences in program implementation in rural versus urban areas he replied, “The clients from the more urban areas have business ideas with more

sophistication and often don't need the services that the SBDC offers. The types of ideas that come from the rural area are not inventions or innovations. They are lawn service or other more basic things."

Obstacles that are faced by rural business owners were lack of financing and a lack of planning. Also, "they are in small markets so especially if they are in retail or service, they will just serve their local community, but it [the market] can be a bigger market depending on the business." This seems to confirm that rural entrepreneurs lack access to new ideas and financing as discussed by Lyons (2000).

Program Benefits: According to their reporting for the first two quarters of fiscal year 2010-2011, the program achieved 16 business starts. This is 48% of their yearlong goal of 33 business starts. **The informant felt that most beneficial aspect of the program was creating profitable businesses.**

Presumably not all of the businesses that they help get started survive, but there were no statistics tracking the length of time businesses lasted. He was able to provide examples of businesses that the program assisted that have been growing and expanding, indicating job creation.

Water Energy and Technology Incubator

The Water Energy and Technology Incubator (WET Incubator) is a joint venture between the CVBI, the Office of Community and Economic Development at Fresno State and the International Center for Water Technology. Located on the Fresno State campus, "[t]he facility features an underground water pit to be used for water and irrigation testing. This modern test facility provides independent testing and performance certification for pumps and other water technology equipment, an educational learning lab for students, and an incubator facility for businesses specializing in water, irrigation and clean-energy" (<http://wet.cvbi.org/>). The Center for Water Technology provides water technology testing services for profit, they conduct research and development in the area of water and energy technology and they provide technical assistance to new water and energy companies. The CVBI provides free rent and office services to the five companies in the Water and Energy Technology Incubator. Clients are identified for the WET Incubator by the Fresno County Water Technology Cluster and at conferences on clean

technology. This is a good example of how partnerships between agencies, particularly colleges, can provide benefits to rural businesses by creating increased access to new ideas and technologies.

Defining the rural context: The reason for creating the WET Incubator came from the Water Technology Cluster. As a group they identified an issue they were having which was that a specific product, which is very expensive, must be tested and certified prior to being sold. The closest testing facility was in Kansas, meaning that they needed to ship the products there to have them tested. This also put a damper on any kind of new innovation because it was very expensive to test any new product ideas.

Program Benefits: The informant described the main benefit of this program as follows: “It is an accelerator. It isn’t quite a one-stop shop but the businesses get things out of it that they wouldn’t think that they needed. For example, if they see someone else’s advertising, they may realize that theirs is lacking. It is collaborative. It helps them id weaknesses by comparison and get ideas from others.” **The informant did say that the incubator is not always a creator of jobs. “In fact it can kill several low skill jobs while creating one or two high skill jobs.”** The informant mentioned that recently, trends have indicated that Fresno County agriculture jobs have decreased in number but increased in pay. This partially confirms what Flora et al. (2003) and Beaulieu and Israel (2011) describe about shifts occurring in the rural economy from agriculture and manufacturing to service sector employment.

El Pajaro Community Development Corporation

El Pajaro is located in Watsonville in Santa Cruz County. They provide business support services to new and existing businesses located in Santa Cruz, San Benito and Monterey Counties. They also have a 14 retail spaces that they rent to program participants. This differs from other incubator programs, which provide business space for free, but it has many of the other elements of an incubator. Businesses are all located surrounding Plaza Vigil and near the Pajaro office, giving the businesses opportunities to learn from each other and get assistance from program coordinators or consultants as

needed. El Pajaro specializes in assisting disadvantaged entrepreneurs who may have limited English, literacy or cultural issues which cause them to require additional support. About half of their clients speak Spanish only (Director of Business and Community Development: Fresno EDC, personal communication, April 28, 2011). This was the only program that provided contact information for business owners who had participated in the program; these business owner responses follow the coordinator responses.

Business Assistance and Incubator Program

First time entrepreneurs are encouraged to participate in their 13-week business basics training where they cover topics such as contracts, accounting (including what a 'break even' point is) and how to create a business plan. Then they are able to actually create a business plan and apply for loans, if needed. Some entrepreneurs choose to skip the training and go straight to writing a business plan. For existing businesses, they do an intake interview and assessment of their needs and then may assign the business to a consultant. To identify clients, El Pajaro works with a local Small Business Development Center to identify clients that might need the type of extra support that they can provide. They also send emails to organizations in the local communities to remind them of their services. They receive informal referrals for clients through these contacts and by participating on local committees.

Defining the rural context: Based on the formal definition they use, the only urban community in the area is Salinas. When my informant was asked about which communities she considered to be rural, she said "All of them, even Salinas. In Salinas, there is a strawberry field right next to the mall." Other reasons that she views the community as rural were that the economy is heavily focused on agriculture and that there is a large farm-working population. She mentioned that the area they serve is "out in the country" but that the real issue for rural entrepreneurs was lack of access to clients. She cited lack of population density and seasonality of work as major obstacles. She said that there is seasonal unemployment from November to March; people either go to Oxnard or just don't have money during

that time. Other obstacles that participants faced were immigration status, literacy and learning how to maneuver unfamiliar systems such as the US tax system. The difference between them and other programs becomes clear at conferences. Their clients struggle with literacy, have low levels of education, and have come to work in the fields. They confront language and cultural barriers.

Program Benefits: The main program benefits of the business assistance program were described as follows: “It gives people an option instead of working in the fields. As people get older, this becomes important since you can’t work in the fields forever. We try to give them the sense that they can do it. We cater the program to their clients’ needs.” The program was able to provide many anecdotes about people creating successful businesses. One example was of a computer company that had graduated from the retail incubator and expanded into a larger office in another part of town. Another example described a person with limited literacy but past business experience that Pajaro staff was able to help start a business. This was a particularly interesting finding. Low levels of education among rural residents was listed as an obstacle to rural development (insert citation) but this finding indicates that the education obstacle is surmountable, if the program is prepared to provide additional support for those with limited education.

Business owner interview one: This restaurant owner had been in business for ten months at the time of the interview. She said she had three part time employees plus she and her husband. This indicates that some jobs have been created as a result of the program. When asked if her profits had increased she said that summer had been slow but things had picked up a little. They bought the restaurant equipment from the previous owner who had not been successful. Although she did not specifically say this, this previous owner was presumably also in the program, since El Pajaro owns that unit.

She said one of her big obstacles is advertising. Currently they are not advertising ‘outside’ meaning in newspapers, magazines, radio etc. because they cannot afford it. This leaves them only word of

mouth and she said that many people do not know about her restaurant because it is a little hidden and they just go to the places they already know. **When asked about benefits of participating she said her husband went through the class and he learned a lot. Also they received a lot of encouragement.**

She has contact with other business owners located in the incubator as a result of their collective meetings but mostly their relationship is just friendly. They say hello, tell her their like her new signs and encourage her. They only occasionally share business ideas in their meetings. She said she gets most of her new ideas for her business from the Food Channel or from experimenting on her own (Pozzo's Pizza Cafe: Owner, personal communication, May 6, 2011.)

Business owner interview two: I spoke to the owner of a small store that sold fruit, veggies, yogurt, smoothies, a variety of dry goods and what they called 'edible arrangements.' These edible arrangements are arrangements of fruit that look like floral arrangements. The owner said that she had been in the same spot for ten years but that she had changed over time from a clothes store, to candy store, to her current business. Her reason for changing was that there was too much competition for the other types of businesses. She has two part time staff currently; when she started she was by herself. **When asked if her profits have increased as a result of participating in the program, she said a little because sometimes they send her clients.** She said she still has contact with some of the people she went through the program with and that some of them have successful businesses also.

She said that she has contact with other businesses but not to share ideas because they are her competitors. She identified her biggest obstacle as the recent recession. She said that the benefits she receives from the program are that she can ask staff questions about her business and she gets ideas from them. She also gets ideas for her business from magazines, TV, her employees and other people she encounters (Frutería Quetzal: Owner, personal communication, May 6, 2011.)

Both of these business owner interviews seem to indicate that the networking benefits of being in a business incubator may have been overstated in the program information (Frutería Quetzal:

Owner, personal communication, May 6, 2011 and Pozzo's Pizza Cafe: Owner, personal communication, May 6, 2011.) **Neither of the business owners interviewed said that they got important new ideas from nearby businesses or that they reached cooperative agreements with them. Both interviews indicated that personal connections to other business owners were not viewed as very important to the success of the business. The second interview highlighted the competitive nature of business and indicated that there are some obstacles to cooperation between businesses in this setting.**

Summary of Major Findings

As mentioned above, **in-depth interviews confirmed that case-study communities confronted obstacles to rural development described in the literature. Geographic isolation (Flora et al., 2003) was described as an obstacle for program participants in four of five programs (all but the WET Incubator).** For BEAR Action Network Clients, they had less access to 'service providers' due to their location. Communities on the west side of the County also suffered more than communities on the east side due to proximity to highway 99 and to each other. Rural businesses were less likely to participate in the industry clusters because of their location and the fact that they were less likely to have many employees. The solution suggested for this isolation was regional coordination, confirming what (insert citation) says.

Rural obstacles described by the informant at the Central Valley Business Incubator included lack of access to new ideas and lack of access to financing. This informant also implied that access to markets was an underlying reason why rural entrepreneurs tend to stick to less innovative business ideas. This suggests that Lyons' (2000) theory has merit in stating that domination of a single industry can stifle innovation in rural settings. It implies that the low population densities associated with rural settings are, at least, partially responsible for the lack of innovation.

Findings from the interview with the Pajaro program staff indicate that some of the obstacles to enterprise development found in Guadalupe, such as low educational attainment and language

proficiency, can be overcome with a well-designed assistance program (Outreach and Business Development Specialist: El Pajaro CDC, personal communication, April 28, 2011). Though all of the programs gave examples of informal personal connections created as a result of working with program participants, business owner interviews (Frutería Quetzal: Owner, personal communication, May 6, 2011 and Pozzo's Pizza Cafe: Owner, personal communication, May 6, 2011 indicated that personal connections (at least between business owners of similar businesses) may be less important than stated by Flora et al. (2003). Another possibility is that personal connections to some people are simply more valuable than others. One programs staff described several instances where he had connected program participants to new clients (Assistant Director: Central Valley Business Incubator, personal communication, April 28, 2011); a business owner also indicated that sometimes program staff 'send her clients' (Frutería Quetzal: Owner, personal communication, May 6, 2011) clarifying that personal connections to people who have access to prospective clients may be most beneficial.

Evidence of job creation and characteristics of strategy efficacy

In addition to analyzing anecdotal evidence of job creation, characteristics of efficacy, developed in the background research chapter, were assessed for each program. It was determined, based on the overall understanding of program function and information provided in the interviews which characteristics of efficacy each program displayed. Characteristics of efficacy described in the literature were: fostering personal relationships, coordinating with other agencies on regional economic development, providing a structured forum for economic development decisions, facilitating financial investment in the community, encouraging innovation, creativity or new technologies and providing new skills to participants. Table 4.2 summarizes these findings.

Table 4.2- Characteristics of efficacy identified in the literature and displayed by implementation programs.

Factors contributing to efficacy	BEAR Action	Regional Jobs	WET Incubator	Small Business	Small Business
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	Network	Initiative Cluster		Development Center	Assistance Program
Personal relationships	X	X	X	X	X
Coordination between economic development agencies, policy makers, thought leaders	X	X	X	X	X
Presence of depersonalized public decision-making processes		X			
Willingness to invest in the local community or cooperate with other businesses	X	X	X		X
Innovation and the use of new technologies	X	X	X		
Access to new product ideas	X	X	X		X
Increased access to financing	X		X	X	X
Creation or leveraging of human capital (new skills)	X	X	X	X	X

The BEAR Action Network was not only able to provide clear anecdotal evidence of job creation; they also displayed many characteristics described in the literature as important to strategy efficacy. The main reason that they were able to claim to have so many different resources was that they themselves did not actually provide them. They simply facilitated the business owners receiving those resources through their ‘network.’

The Regional Jobs Initiative cluster was not able to point to any evidence that the program directly impacted job creation. However, it did display many of the characteristics associated with successful rural development. There was a testimonial on their website that described Fresno EDC’s role in coordinating a presentation to the construction cluster about jobs that were going to be bid using Stimulus Funds in the area. This may have allowed members to create more competitive bids for these projects but it is difficult to determine if this created new jobs. However, providing the presentation clearly creates new human capital by teaching business owners new skills that will make them more competitive.

The WET Incubator program displayed many of the characteristics associated with efficacy. Findings indicated that the program was fostering new businesses with innovative ideas and products. Any new business created would translate into at least one job created; however, it was disconcerting that they said the WET can actually destroy several low-wage jobs and create fewer high-paying ones. It seemed that the goal of the incubator was to build the area as a center for innovation, assuming that this would in turn attract attention and resources. This is a legitimate goal but does not fit with the definition of success for this project.

The CVBI Small Business Development Center was able to provide quantitative evidence of job creation by showing new business starts as well as qualitative evidence of business longevity and expansion. They displayed fewer of the characteristics of efficacy that were mentioned in the literature. Regarding product development and innovation they seemed to feel that it was not their role to help with these things and that they were ill-equipped to do so.

Similarly, El Pajaro's business assistance program was able to provide anecdotal evidence of job creation, but they displayed fewer characteristics of efficacy than some other programs. Unlike the Small Business Development Center, their evidence of job creation (business starts) was purely anecdotal and there was some evidence to indicate that at least some of the businesses they created failed to flourish. One thing that was particularly impressive about this program was the huge amount of human capital they created. They were able to take people with very low levels of education, language, literacy and cultural barriers through the business licensing process. They had created their own curriculum that catered to the needs of the special population they work with, and they encouraged all new business owners to go through the 13-week training program.

These preliminary finding about program success supported the formulation of strategy recommendations for the City of Guadalupe. In the next chapter each program will be analyzed in terms of implementation feasibility in the City.

Areas for Further Study

There is very little information regarding what specific strategies are effective in achieving economic gains for rural communities. The literature is, however, clear on three main points. The first point is that recruitment is becoming less and less effective and carries high external costs such as less money for public services or environmental degradation. The second is that rural communities face significant obstacles to development. The third is that personal connections and regional coordination contact are important (insert citation). It was difficult to find detailed information about how best to deal with these last two items, especially what the specific function of personal connections might be.

In the academic literature, there has been a focus on case study research that identifies obstacles faced by individual implementation programs and corresponding ‘necessary conditions’ for program success. However, there has been little discussion about how one might create these necessary conditions. **Also, while these case studies provide rich contextualized information about program efficacy, it is also important to locate this qualitative research within large-scale quantitative studies that address the central question of which programs are most effectively creating jobs or wealth.** Currently, there are almost none of these studies, which explain the lack of information in this area. This will be discussed later in this chapter.

In addition to quantitative studies, more qualitative study is needed to provide a better understanding of the function and creation of personal contacts and regional networks. I was able to identify that participating in community boards and committees is a major part of maintaining relationships between agencies *and* creating personal connections for the business owners via the economic development agency. I was unable to observe that personal relationships between business owners were a major factor contributing to the businesses’ financial profitability. This may be due to the fact that I was unable to interview anyone from the cluster program, which is more specifically structured to create networking opportunities.

Another aspect that should be explored is program specialization. Information from the initial phone interview with El Pajaro seemed to indicate that the local Small Business Development Center was ill prepared to serve their clients because their clients had such a high level of needs. In fact, they have been unable to find any pre-packaged curriculum that would address their clients' needs. El Pajaro provides a great example of this specialization in action. More quantitative information is needed about program efficacy and specifically what types of businesses benefit from specific programs in order to determine how best to specialize programs.

Challenges to further research

One of the biggest obstacles to further research will be gaining the necessary access to job creation statistics from economic development programs. First, programs track their success differently based on their different funding sources and their accompanying requirements. Some programs do not formally track job creation and may use other means for assessing their program success. This can make it difficult to compare different approaches to one another. Additionally, many programs seemed hesitant to provide specific numbers on job creation and these numbers are either not reported on their websites or are aggregated (e.g., "since inception, we have helped to start 14 businesses"). **One way to overcome the issue of access to program statistics would be to guarantee anonymity.** This is generally not possible for case studies but can be achieved in quantitative research. **Another method would be to contact the funding agency.** Some economic development agencies that receive grant funding must report the achievements made with this funding. Contacting the funders may provide access to statistics for multiple implementation programs, making data collection more efficient. Additionally, if these are publicly funded initiatives, they are required to release the information.

Another challenge of this study was in gaining access to interview the program clients. Out of three agencies studied, only one was willing to provide access to their clients. Reasons given were related to client confidentiality. Even when access was granted, the program coordinator selected the

clients provided. Not only does this make for a poor sample, it makes it almost impossible to assess where programs need improvement. **One possible solution to this is to ask to attend program events in order to make contacts rather than requesting contact information from the program coordinator.**

This would improve the sample somewhat and would allow the researcher to make contact in a way that does not compromise the program-client relationship.

Once access to program participants is gained however, there is that additional obstacle of getting accurate information from them. Business owners may be somewhat secretive about how well their business is doing financially. It may also be difficult to get them to be candid about program flaws if they feel that the information could get back to program coordinators. This would require significant education of interviewees and reassurance on the part of the interviewers about the level of anonymity they can provide. The more general problem here is that, once a business is funded or assisted by an agency, the business is likely to become a supportive constituency which may be reluctant to criticize what may be the only source of assistance they have. Obtaining objective information on agencies and programs is a major stumbling block for qualitative researchers.

Key Points from Findings

This chapter will present findings from in-depth case study research. Programs are assessed in terms of the degree of their success at achieving economic development as defined in this project i.e. job creation and what characteristics of efficacy related to rural development they were able to display.

Fresno Economic Development Corporation

The Fresno EDC serves all of Fresno County, including the City of Fresno, which has a population of 494,665 (US Census, 2010). This agency implements a business expansion and retention program called the BEAR Action network (Business Expansion and Retention) and they facilitate two industry clusters.

BEAR Action Network

- The informant was also able to provide a specific example of a company hiring additional staff after having received services through the network.
- The program coordinator indicated that the main benefits of the program are (1) facilitating capital investments in the community, (2) keeping businesses going (i.e. business retention) and (3) keeping jobs in the community (i.e., preventing companies

from moving out of the area).

Regional Jobs Initiative Cluster Program:

- This program was unable to provide evidence of job creation
- According the program staff, "The main program benefit is that when people attend the meetings, they meet and make progress. They see that other people are having similar problems. They get the opportunity to be heard as one voice."
- They are ultimately being heard by city managers when the cluster manager reports back to the resource team. This structured means of communicating obstacles faced by the business community may be a very valuable tool for economic development.

Central Valley Business Incubator

The Central Valley Business Incubator provides small business assistance to Kings, Fresno, Madera, and Tulare counties. They also run a program called the Water and Energy Technology (WET) Incubator, which is an incubator that specializes in high tech companies and products.

Small Business Development Center:

- According to their reporting for the first two quarters of fiscal year 2010-2011, the program achieved 16 business starts. The informant felt that most beneficial aspect of the program was creating profitable businesses.

WET Incubator:

- The informant described the main benefit of this program as follows: "It is an accelerator. It isn't quite a one-stop shop but the businesses get things out of it that they wouldn't think that they needed."
- The informant did say that the incubator is not always a creator of jobs. "In fact it can kill several low skill jobs while creating one or two high skill jobs."

El Pajaro Community Development Corporation

El Pajaro is located in Watsonville in Santa Cruz County. They provide business support services to new and existing businesses located in Santa Cruz, San Benito and Monterey Counties.

Combined business assistance and incubator program:

- The program was able to provide many anecdotes about people creating successful businesses.
- The main program benefits of the business assistance program were described as follows: "It gives people an option instead of working in the fields. As people get older, this becomes important since you can't work in the fields forever. We try to give them the sense that they can do it. We cater the program to their clients' needs."

Business owner interviews with El Pajaro Incubator participants:

- When asked about benefits of participating one interviewee said that her husband went through the class and he learned a lot. Also they received a lot of encouragement.
- When asked if her profits have increased as a result of participating in the program, one interviewee said a little because sometimes they send her clients.

- Both of these business owner interviews seem to indicate that the networking benefits of being in a business incubator may have been overstated in the program information. Neither of the business owners interviewed said that they got important new ideas from nearby businesses or that they reached cooperative agreements with them.
- Both interviews indicated that personal connections to other business owners were not viewed as very important to the success of the business.
- The second interview highlighted the competitive nature of business and indicated that there are some obstacles to cooperation between businesses in this setting.

Summary of Major Findings

- In-depth interviews confirmed that case-study communities confronted obstacles to rural development described in the literature. Geographic isolation (Flora et al., 2003) was described as an obstacle for program participants in four of five programs (all but the WET Incubator).
- The BEAR Action Network was able to display the most characteristics of efficacy with very little cost to them. This is because they worked with other agencies to provide direct services.
- Findings from El Pajaro interviews indicated that specialization could help overcome some of the obstacles, such as educational attainment and language difficulties, found in Guadalupe and other rural areas.

Areas for further research

- There is very little information regarding what specific strategies are effective in achieving economic gains for rural communities.
- Also, while these case studies provide rich contextualized information about program efficacy, it is also important to locate this qualitative research within large-scale quantitative studies that address the central question of which programs are most effectively creating jobs or wealth.
- In addition to quantitative studies, more qualitative study is needed to provide a better understanding of the function and creation of personal contacts and regional networks
- Another aspect that should be explored is program specialization. Information from the initial phone interview with El Pajaro seemed to indicate that the local Small Business Development Center was ill prepared to serve their clients because their clients had such a high level of needs.

Obstacles to Further Research

- One of the biggest obstacles to further research will be gaining the necessary access to job creation statistics from economic development programs. One way to overcome the issue of access to program statistics would be to guarantee anonymity. Another method would be to contact the funding agency.
- Another challenge of this study was in gaining access to interview the program clients. One possible solution to this is to ask to attend program events in order to make contacts rather than requesting contact information from the program coordinator.
- Once access to program participants is gained however, there is that additional obstacle of getting accurate information from them.

RECOMMENDATIONS

This chapter presents recommendations for future economic development in the City of Guadalupe based on background research that focused on rural economic development strategies and three in-depth economic development program case studies. The appropriateness of various program types were evaluated based on the analysis of the Guadalupe setting presented in chapter three of this document. Suggestions for implementation are incorporated within the economic development recommendations. The chapter also suggests areas for further study.

Economic Development Recommendations

Recommendations presented in this chapter took into account whether or not case-study programs were able to demonstrate job creation. Additionally, programs studied were analyzed in terms of whether or not and to what extent they displayed the characteristics described in the literature as being related to efficacy of rural development efforts. This too was taken into account in developing recommended strategies for Guadalupe. **Logistical considerations dictated by the Guadalupe setting were also important in determining economic development recommendations.** Implementation factors such as program funding, staff time needed, availability of appropriate partner agencies in the area and access to other resources were considered. And finally, attention was also given to Guadalupe's community strengths, such as rich community history and tourism opportunities. This was done in order to create recommendations that would provide the most economic development results for the least cost while building on available resources.

Retention and Expansion: Visitation and Referral Program

Traditional business expansion and retention programs can be implemented by an economic development agency or a local government in cooperation with partner agencies that provide assistance to local businesses as needed. Partners may include representatives from utilities, small business development programs, chambers of commerce, non-profit lenders, Workforce Investment Board, etc (insert citation). The program coordinator or volunteers visit local businesses in order to complete a needs assessment survey. When specific business needs are identified, the program coordinator will either address the issue directly or refer the business to the appropriate partner agency. The survey information can also be used for the creation of a formal long-term economic strategy for the area by identifying constraints experienced by several businesses (insert citation).

This type of program model seems to hold the most potential for Guadalupe for several reasons. First, the in-depth case study of the BEAR Action network, a business retention and expansion program in Fresno County was able to point to anecdotal evidence of job creation. Additionally, by leveraging services available through partner agencies, they were able to display many of the characteristics of strategy efficacy discussed in the literature, including (1) fostering personal relationships, (2) coordinating with other agencies on regional economic development, (3) facilitating financial investment in the community, (4) encouraging innovation, creativity or new technologies and (5) providing new skills to participants. They provided a wide range of resources to participants without the administrative burden of actually delivering the services (Director of Business and Community Development: Fresno EDC, personal communication, April 28, 2011.)

Business incentive programs can be difficult to access due to complicated application processes or other factors. Guadalupe business owners were only aware of one business assistance program for which they met eligibility requirements. This was an incentive provided by the Guadalupe Redevelopment Agency. When asked about other incentives that might be given by agencies in Santa

Maria, one person thought that only Santa Maria businesses would qualify. Initial research on existing regional economic development programs has shown that there are at least a few regional programs for which Guadalupe businesses are eligible, but that most business owners are unaware of them.

Implementing a small-scale business expansion and retention program utilizing existing service providers in the Guadalupe area could significantly raise awareness of available assistance with minimal financial investment on the part of the City.

Recommendation: Prepare and implement a small-scale business expansion and retention program using existing service providers in the area.

Steps to Implementation:

1. Research and prepare a detailed list of all prospective partner agencies in the area. When creating the list try to include service providers that would fulfill characteristics of efficacy mentioned in the literature on this topic: fostering personal relationships, coordinating with other agencies on regional economic development, providing a structured forum for economic development decisions, facilitating financial investment in the community, encouraging innovation, creativity or new technologies and providing new skills to participants. Figure XXX is an example of what this might look like.

Figure 5.1. This City can use a chart like this to categorize which service providers should receive referrals for which type of business needs.

Factors contributing to efficacy	Program One	Program Two	Program Three	Program Four	Program Five
Do they foster personal relationships formally or informally?					
Do they coordinate with other economic development agencies, local governments or research entities?					
Do they facilitate structured decision-making about economic development decisions?					
Do they foster investment in the local community?					
Do they foster Innovation and the use of new technologies?					
Do they assist with product development?					
Do they increase access to financing?					
Do they provide participants with new skills?					

2. A City representative will then need to meet with coordinators or leaders from these agencies to gather detailed information on services provided, who qualifies for which services and information regarding program intake processes. At this point the City representative should discuss the feasibility of working together with this agency as part of a business retention and expansion program.
3. Once program and service information is collected, a simple intake sheet can be constructed. This should assess the needs of program participants and what services they qualify for. The City may want to request to see the BEAR Action Network intake sheet for guidance. The intake sheet or survey should be approved by the partner agencies prior to distribution. At this point, a contact and referral tracking system should also be developed. This can be simple and should be created in Microsoft Excel. It is important to set it up in such a way that reports and mailing labels can be generated.

4. Next, attempt to meet with Guadalupe business owners. Interviews indicated that initial contacts can be difficult as business owners either don't understand the program or are suspicious of the motives (Director of Business and Community Development: Fresno EDC, personal communication, April 28, 2011.) It is important to choose someone for business visitations who will be able to develop a good rapport with the business owners. Volunteers may be hand selected based on knowledge of a particular type of business and trained by the program coordinator for this purpose. For example, the program coordinator could ask for assistance from the Grower-Shipper Association in administering the surveys for agriculture related businesses.
5. Update the list of service providers every six months and seek ways to keep in regular contact with partner agencies. It may be desirable to create an advisory council with representatives from these agencies. Bi-monthly or quarterly meetings would allow the program coordinator to keep abreast of any changes in available services and would allow the partner agencies to give input on how the program is functioning.
6. It is recommended that, in the long-term, the City use information gathered through this program to create an economic strategy for further development in Guadalupe. The creation of such a document would not only garner community support for future economic development activities and allow the City to think critically about how best to achieve economic goals, it would also be helpful in attracting grant funding for economic development activities.

Retention and Expansion: Industry Cluster Program

Industry clusters are a group of related businesses located in a specific geographical area (Rosenfeld 1995 in Barkley and Henry, 1997, p. 308). They are thought to provide important benefits to the local economy in terms of jobs, income, and export growth (Waits, 2000). Industry cluster programs

are designed to engage industry about economic challenges in the area and address them (<http://c2.mcbusiness.org/>); also to create a regional strategy for the development of key industries (Waits, 2000, p. 39). Cluster programs create a forum for structured decision-making about economic development issues and allow businesses to be heard 'as one voice' (Investor Relations Manager: Fresno EDC, personal communication, May 2, 2011.)

Such programs identify key industries in the local economy and form their clusters based on those industries. Each cluster has a chair, who is a representative of the industry, and a manager, who is on staff at a local economic development agency. Cluster membership includes people from both the public and private sectors. Clusters meet quarterly to discuss their mission and goals and re-adjust these as needed. They also hold networking events and host speakers, who present on industry related topics, such as new legislation related to renewable energy. In addition to quarterly meetings there are monthly work- group meetings for action items. All cluster managers report to the resource team at regularly scheduled meetings. The resource team is composed of city managers, the Workforce Investment Board and other partner organizations. As a group they set additional goals, which are then integrated, into the individual cluster goals (Investor Relations Manager: Fresno EDC, personal communication, May 2, 2011.)

Cluster programs provide great benefits to existing businesses and provide opportunities for new job creation by identifying areas of an industry that require development. They provide a forum for discussing issues confronted by businesses that is constructive and they encourage regional coordination between economic development agencies and businesses. No cluster program is currently available in Santa Barbara County but San Luis Obispo is in the process of beginning such a program. If Guadalupe businesses or community leaders can participate in the San Luis Obispo County cluster program, it is suggested they do so. If it is not possible to participate in San Luis Obispo County,

the City should encourage the Santa Barbara County Workforce Investment Board to look into the possibility of developing such a program for Santa Barbara County.

Aside from participating in a cluster program, Guadalupe should continue to participate with the Santa Maria Valley Visitor and Convention Bureau. This group does not have the format of a cluster program per se, but it is a collection of public and private interests promoting a particular cluster of industries. **Because Guadalupe is particularly interested in developing more tourist-serving activities, networking with this group is potentially beneficial and low-cost.**

Recommendation: No cluster program is currently available in Santa Barbara County. If the opportunity presents itself, the City should encourage the development of such a program and provide guidance on what will be most beneficial to Guadalupe in such a program. The City should continue to participate in the Santa Maria Valley Visitor and Convention Bureau.

Specific Guidance should include:

1. Ensure that a future cluster program makes special efforts to include businesses in Guadalupe and other rural areas. Request that events be held in small cities.
2. Structure clusters to make geographic sense. Clusters that are delineated by county lines may not achieve the best success for Guadalupe businesses. It is possible that Guadalupe businesses would better fit with clusters based in San Luis Obispo County rather than Santa Barbara County. This will depend on the nature of the industry cluster.

Enterprise Development: Small Business Assistance Program

Small businesses are defined as firms that are independently owned and operated and have fewer than 500 employees, though for some sectors the threshold is 100 or fewer (Cytron, 2006). Small Business Development Centers are located all over the country, usually on community college or university campuses. Their services include “assisting small businesses with financial, marketing,

production, organization, engineering and technical problems and feasibility studies”

(<http://www.sba.gov/content/small-business-development-centers-sbdc>s). Services are free and programs are available to any new or existing business owner who cannot afford a private consultant. In addition to Small Business Development Centers, which receive Federal Small Business Administration funding, there are many other agencies that provide similar services via other funding streams.

Both the Central Valley Business Incubator and El Pajaro agencies implement small business assistance programs. The program format was essentially the same in both agencies and both programs presented evidence of jobs creation. The Small Business Development Center seemed to be held to a higher reporting standard because they receive Federal Small Business Administration funds. El Pajaro, indicated, anecdotally, that they have achieved great success with a high needs population. (El Pajaro specializes in assisting disadvantaged entrepreneurs who may have limited English, literacy or cultural issues, which cause them to require additional support. About half of their clients speak Spanish only (Outreach and Business Development Specialist: El Pajaro CDC, personal communication, April 28, 2011.)) El Pajaro also had a smaller staff and seemed to be a somewhat more flexible organization, more able to cater to different client needs.

Recommendation: The City should reach out to existing small business assistance programs and assure that services are being provided to Guadalupe residents or entrepreneurs considering locating to the area. Partnership with such a program is also important for the success of a business retention and expansion program since these programs can provide services to businesses that are struggling.

The above findings from these two in-depth case studies indicate that a small business assistance program that serves Guadalupe residents or entrepreneurs considering locating to the City would be beneficial. Partnership with a small business assistance program will also be important for the success of any business retention and expansion program since these programs also provide services to

businesses that are struggling. It is important to ask for quantifiable results on program outcomes however, especially if the program requests financial assistance from the City.

Enterprise Development: Business Incubator

Business incubators are a type of small business development program that integrates traditional elements of small business development programs such as development of a business plan and assistance with lending, with arrangements for no-cost or low-costs office/business space and or equipment (Cytron, 2006). Two incubator programs were studied as part of this project: the Water Energy and Technology Incubator located on campus at Fresno State and the El Pajaro retail incubator.

The Water Energy and Technology Incubator (WET Incubator) is a joint venture between the Central Valley Business Incubator, the Office of Community and Economic Development at Fresno State and the International Center for Water Technology. Located on the Fresno State campus, the WET Incubator provides free rent and office services to the five companies developing products in the areas of water and energy technology. They are co-located with the Center for Water Technology, which provides technical assistance to the business incubator clients, water technology testing services for profit and conducts research and development in the area of water and energy technology (Director: Central Valley Business Incubator, personal communication, April 28, 2011.)

The WET Incubator did not provide a good model for two reasons. First Guadalupe is somewhat **isolated from universities** that conduct research and development; Fresno State was a partner in the creation of the WET Incubator and the facility was located on campus. Second, the **primary objective of the WET Incubator was not to create jobs** but to develop new high tech companies. This type of high tech incubator may not be appropriate for the current business climate in Guadalupe. As mentioned in the setting chapter, Guadalupe's strengths are in the history and natural beauty of the surrounding area. It is advisable to focus on developing those strengths over a new high tech industry. Also, a primary goal should be job creation for Guadalupe residents.

El Pajaro is located in Watsonville in Santa Cruz County. They provide business support services to new and existing businesses located in Santa Cruz, San Benito and Monterey Counties. They also have 14 retail spaces that they rent to program participants in Downtown Watsonville. This differs from other incubator programs, which provide business space for free, but has many of the other elements of an incubator. Businesses are all located surrounding Plaza Vigil and near the Pajaro office, giving the businesses opportunities to learn from each other and get assistance from program coordinators or consultants as needed. Pajaro specializes in assisting disadvantaged entrepreneurs who may have limited English, literacy or cultural issues, which cause them to require additional support. About half of their clients speak Spanish only (Outreach and Business Development Specialist: El Pajaro CDC, personal communication, April 28, 2011.)

The Pajaro incubator provided a better model to work from in developing recommendations for the City of Guadalupe. **Not only did it provide opportunities for new businesses, it also has contributed to activity in downtown Watsonville.** Because El Pajaro specialized in providing services to disadvantaged clients, they were able to help people with relatively limited education through the processes of starting a business. **Currently, Guadalupe has a somewhat high rate of vacancy in their downtown core,** though some of this is attributed to seismic retrofitting. An incubator that focused on providing spaces to retail or tourist-serving businesses would build on existing strengths in the community, create more activity in the downtown area, create jobs and it might reduce the amount of retail leakage currently occurring.

Implementing a business incubator program would be a long-term goal. Not only does it require more investment of staff time and financial resources to set up, several things would need to occur for it to be successful. First the City would need to develop a strong partnership with a local business assistance program and they would either need to open an office in the City or be willing to have staff travel there regularly. An important part of the functioning of the Pajaro program is the fact that

incubator clients have excellent access to program staff (Outreach and Business Development Specialist: El Pajaro CDC, personal communication, April 28, 2011.) **Second, as mentioned in the setting chapter Guadalupe is currently beginning implementation of several projects to encourage tourist activity to the area.** An Incubator project with retail businesses would require a good customer base; **it is advisable to wait until current projects have produced an increase in tourist traffic before implementing this recommendation.**

Recommendation: A long-term goal for the City could be the creation of a retail business incubator program, which provides physical retail space to new entrepreneurs in the Guadalupe Downtown.

Challenges to Program Implementation

As mentioned in the Setting Chapter, many economic development agencies in the County are based in the City of Santa Barbara and do not provide satellite offices in the North County. This may pose significant challenges to the implementation of these recommendations. As described in the findings chapter, rural entrepreneurs were less likely to participate in programs due to lack of employee support and distance to program events. Several of the Guadalupe businesses owners contacted for this project had no employees and indicated that they would have difficulty traveling to Santa Barbara to attend training or networking events (Investor Relations Manager: Fresno EDC, personal communication, May 2, 2011.) **When discussing the feasibility of working with partner agencies to implement recommendation number one** (developing and implementing a small scale business expansion and retention program using existing service providers), **the City representative should ask about the possibility of agency staff meeting business leaders in either Guadalupe or Santa Maria.** The City could offer to provide meeting space at no cost for these agencies to use when visiting Guadalupe.

Another obstacle that should be considered is language and education. Guadalupe has a high proportion of Hispanic or Latino residents, many who speak Spanish as their first language. Guadalupe

residents also have low levels of educational attainment, which can make economic development efforts more challenging. Findings from the in-depth case studies indicated that these obstacles can be overcome with some program specialization on the part of the economic development agency. **When contacting economic development agencies regarding services they provide, note if bilingual staff are available.** Where possible, follow up with Spanish speaking entrepreneurs receiving services with the agency and ask them about their experience. If it seems that there may be a cultural or language barrier, **the City may consider recruiting and providing Spanish-speaking volunteers to provide additional support.**

Lastly, as with many projects implemented by local governments, there can be a perception that results should be immediate. If public programs are not clearly understood or appear not to be producing results, programs can be discontinued due to political pressure. **The City should go about implementing new economic development strategies with long-term goals in mind.** If programs appear not to be working, modifications should be made and tested prior to discontinuation. **Results should be clearly documented and publicized and modifications should be made to improve results as a regular part of strategy implementation.**

Key Points from Recommendations

Recommendations presented in this chapter took into account whether or not case-study programs were able to demonstrate job creation. Additionally, programs studied were analyzed in terms of whether or not and to what extent they displayed the characteristics described in the literature as being related to efficacy of rural development efforts.

Recommendations

1. Business expansion and retention program: The City should prepare and implement a small-scale business expansion and retention program using existing service providers in the area. This type of program model seems to hold the most potential for Guadalupe for several reasons. By leveraging services available through partner agencies, Guadalupe would be able to provide a range of services with a limited allocation of funds.
2. Cluster program: Cluster programs are typically regional initiatives taken on by regional economic development agencies. Industry groups include both business leaders and leaders of local governments. No cluster program is currently available in Santa Barbara

County. Should a cluster program be formed locally, participate in the formation of regional industry clusters and provide guidance on what will be most beneficial to Guadalupe businesses in such a program. Continue participation in the Santa Maria Valley Visitor and Convention Bureau.

3. Business Assistance Programs: Reach out to existing small business assistance programs. Many Guadalupe business owners seemed only to be aware of citywide business assistance programs. Find out what kind of services are available to Guadalupe businesses and promote these services locally through the business retention and expansion program mentioned in recommendation one, or informally, as issues are identified by City staff. Make local social service providers aware of any business assistance programs that are available to prospective entrepreneurs they might encounter.
4. Business Incubator Program: As a long-term goal, develop a retail incubator program that provides physical retail space to new entrepreneurs in the Guadalupe Downtown. As was shown with the El Pajaro case study, this provides added activity to the downtown area while providing employment opportunities. Implementing a business incubator program would be a long-term goal. Not only does it require more investment of staff time and financial resources to set up, several things would need to occur for it to be successful. First the City would need to develop a strong partnership with a local business assistance program and they would either need to open an office in the City or be willing to have staff travel there regularly. Second, as mentioned in the setting chapter Guadalupe is currently beginning implementation of several projects to encourage tourist activity to the area. An Incubator project with retail businesses would require a good customer base; it is advisable to wait until current projects have produced an increase in tourist traffic before implementing this recommendation.

Some challenges to implementation of these recommendations are as follows. First, there is limited access to business assistance programs; many economic development programs have their main offices in Santa Barbara and do not provide services to the North County. Second, there are language and educational barriers faced by prospective entrepreneurs and existing business owners in Guadalupe. Third, there are administrative obstacles such as limited staff and funding.

Possible solutions include building strong relations with existing business assistance programs by getting more involved on economic development action committees that exist locally and by visiting programs to interview program coordinators about their services. If it seems that local program is ill prepared to meet the needs of Guadalupe business owners and entrepreneurs, the City should, as part of a business retention and expansion program, recruit volunteers to assist with translation and mentorship activities. The City should go about implementing new economic development strategies with long-term goals in mind. Results should be clearly documented and publicized and modifications should be made to improve results as a regular part of strategy implementation.

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